

Democracy

That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.

--Milton Friedman¹

If we look at world history over the course of the past several centuries, it is hard to miss the fact that democracy has been advancing. Not steadily. There have been fits and starts, setbacks as well as gains, but it can scarcely be denied that the world is more democratic now than it was three centuries ago, or two centuries, or one century or fifty years ago or even twenty. There is scarcely a country in the world that does not at least call itself democratic. To be sure, there is a lot of hypocrisy here, but as we know, hypocrisy is the tribute vice pays to virtue. The notion that people have the right to rule themselves is an idea of near-universal currency right now, and it shows no signs of weakening.

Democracy has not only extended itself geographically, but in most countries it has deepened internally. Property qualifications have been dropped. Women have been granted the vote. Racial minorities are no longer excluded.

This deepening of democracy has changed the very nature of the state. We no longer tolerate a "night-watchman" state, a minimalist government that does nothing but maintain our national defenses and enforce law and order. The state is also supposed to ensure that our children are educated, our elderly receive pensions, our workplaces are safe, our wages are at least above a bare "minimum," our air and water are clean, and more--much more in European countries, but more in the United States as well.

The fact of the matter is, we hold our government responsible for the health and well

being of our economy. There are few national elections in which the state of the economy is not one of the central issues. And if there should happen to be a financial crisis--a major corporation threatened with bankruptcy, Savings and Loan Associations suddenly in deep trouble, a serious stock market downturn--we expect, indeed we demand, that the government intervene. And almost always it does.

A socialist will contend that this extension of democracy into the economic realm is a trend far from complete. Of course the trend will be resisted. Democratic rights have rarely been granted without a fight. It will always be argued that further democratization is unworkable, and, if attempted, will have dire consequences. Such arguments are always made, and yet, to date at least, they (and the powers they represent) have not been able to hold back the democratic tide.

Economy Democracy

I want to argue that Economic Democracy is on the horizon. It will probably be awhile before we get there--although it should be noted that the rhythms of history are not constant. Long periods of relative structural stability are punctuated by periods of rapid transformation. (Witness the sudden, wholly unexpected, collapse of the Soviet empire.) In any event, if we know where to look, we can discern, even in the present, economic experiments, political reforms, and intellectual shifts that point to an economic formation vastly more democratic than the one in which we live today. If we know where to look.

Needless to say, our smart pundits disagree. Here's one of the best and brightest, Thomas Friedman, liberal-realist, Pulitzer-Prize-winning columnist for the New York Times, in his widely-

read, highly-praised book on globalization:

When it comes to the question of which system today is most effective at generating rising standards of living, the historical debate is over. The answer is free market capitalism. . . . So, ideologically speaking, there is no more mint chocolate chip, there is no more strawberry swirl, and there is no more lemon-lime. There is only free-market vanilla and North Korea. There can be different brands of free-market vanilla and you can adjust your society to it by going faster or slower. But, in the end, if you want higher standards of living in a world without walls, the free market is the only alternative left. One road. Different speeds. But one road.²

Let me state categorically that Friedman is wrong. There is another road, and it is not so hard to discern, if you know how to think and are not blinded by prevailing ideology. I have already named it: Economic Democracy. It is an economic order that goes beyond capitalism. It is a socialist "strawberry swirl" that will taste much better (to most people) than free-market vanilla.

What will it look like, this new economic order? To answer this question, let us begin, not with an abstract model, but with what we know in light of the economic experiments of the past century.

We now know that competitive markets are essential to the functioning of a complex, developed economy. This is the negative lesson of the socialist experiments of the

twentieth century. It follows that Economic Democracy will be a competitive market economy.

We need to be careful here. Socialists and pro-capitalists alike have tended to see "the market" as a unitary structure, to be either condemned or embraced wholeheartedly. This is a mistake. For "the market" under capitalism is comprised of three quite distinct markets: a market for goods and services, where producers compete with one another for customers, a labor market, where workers compete with one another for jobs, and a capital market, where enterprises compete with one another for investment funds.

What we now know is that a market for goods and services is essential to the efficient functioning of a complex economy. Not a wholly free market, nor one that embraces all goods and services (education, health care and retirement provisions, for example, need not be market-based), but one that includes most goods and services and is not overly regulated. We want our enterprises to compete with each other for customers. We want them to try to find out what people desire, to produce as efficiently as possible, and to innovate. Enterprise competition is, by and large, a healthy form of competition. Economic Democracy will maintain the market for goods and services. The other markets, however, those labor and financial markets, are another matter altogether.

We now know that some sort of democratic regulation of investment flows is essential to rational, stable, sustainable development--for individual countries and for the world economy as a whole. This is the negative lesson of the neoliberal experiments of the last

twenty-five years. We need some sort of "investment democracy" to complement the "consumer democracy" of the market.

Neoliberalism made its appearance as a real-world economic strategy with Margaret Thatcher and Ronald Reagan, to combat the "stagflation" (stagnation plus inflation) of the 1970s, which was seen to be the inevitable outcome of Keynesian-liberal social democracy. The neoliberal critique was not altogether wrong, but the neoliberal alternative has not fared so well. The neoliberalism agenda calls for privatization, deregulation, free trade, and a large-scale attack on labor unions and the "welfare state." Many of these measures have been resisted. Subsidies persist (particularly in agriculture). Labor unions have weakened but not been completely broken. The welfare state has been cut back, but not wholly dismantled.

The neoliberal proposals most fully implemented are those calling for a deregulation of the financial markets. Financial deregulation was powerfully supported by major financial institutions, whereas there was little organized opposition. Capital has become free, as never before, to seek its highest return wherever that might be: in whatever industry or speculative venture, at home or abroad. Soon enough came the great Savings and Loan debacle of the late 1980s, followed by the financial convulsions of the 1990s and beyond. All this turmoil, and very little gain, except for the rich. The rising tide raised only a few boats, while swamping vast numbers.³

Clearly, neoliberalism has lost its luster. It no longer has the intellectual appeal it once had. There are not many true believers left, only cynics, fatalists and those policy-makers who plod on with their program through force of inertia. It is clear to everyone else (who thinks about such things) that we have to reign in those out-of-control capital markets if we are to regain any

kind of control over our economic destiny.⁴

There is something else we know--at least those of us who study such things. Most people don't know this fact. It is not something talked about on TV or in polite company. It is too embarrassing.

We now know that productive enterprises can be run democratically with little or no loss of efficiency, often with a gain in efficiency, and almost always with considerable gain in employment security. This is the positive lesson of a great many recent experiments in alternative forms of workplace organization.

This fact is embarrassing, because it raises an embarrassing question. Why is it that in a country that celebrates, indeed almost deifies, democracy, that allows us to elect our mayors, our state and local legislators, the national leaders that can send us off to kill or be killed . . . why is it that in such a country we can't elect our bosses?

The obvious answer is that workplace democracy doesn't work, that ordinary workers don't have the competence or self-discipline to select good managers. The problem with this obvious answer is that it is empirically false. There are thousands of successful worker-run enterprises operating around the world. These have been extensively studied. To my knowledge there does not exist a single comparative study that finds the authoritarian (i.e. capitalist) model superior to the democratic one.⁵

For students of democracy this result is not surprising. To be sure, there are problems with democracy. Too many cooks can spoil the broth. Majorities can oppress minorities. These

are standard problems in all democracies, for which there are standard solutions. Representative structures must be put in place; management must be given sufficient power and autonomy to make difficult decisions without being second-guessed at every turn; enterprise "constitutions" must protect minority rights.

With the right structures in place, workplace democracy works. Not perfectly. Bad managers are sometimes appointed. Bad decisions are sometimes made. Democratic firms sometimes fail. But Winston Churchill's dictum appears to hold: "Democracy is the worst form of government--except for all the others that have been tried from time to time."

If we reflect on what we know regarding economic institutions, and on our economic and social problems, which are becoming ever more acute, we see that these problems cannot be solved without a radical restructuring of our economic institutions, and that such a restructuring should involve democratization. Specifically, we need to democratize labor and democratize capital.

We also need to democratize democracy--that is to say, break the corrupting stranglehold corporate influence and concentrated wealth have on our political process. We need campaign finance reform, free media access for viable candidates, etc.

Democratizing democracy is perhaps our most urgent task, but we need to see beyond that. We need a clearer vision as to what it would mean to "democratize labor" and "democratize capital." Let me spell out a concrete proposal in some detail, not as something to be accomplished immediately, but as a goal that can orient our aspirations and practices.

Democratizing Labor

Let me fill in some of the details of this socialist strawberry swirl called Economic Democracy. Let us consider a society like that of the United States, and ask what Economic Democracy might look like here. What changes might we envisage that would transform our current capitalism into a democratic economy, one that preserves the efficiency strengths of capitalism, but mitigates its most distressing features?

Suppose we put nationalization back on the agenda. Actually, nationalization has never been on the agenda in the U.S., although it was in much of the rest of the world after World War Two. Neoliberalism took it off. Privatization became the rage. Privatization hasn't worked. But we don't want the old-style nationalization either, where government bureaucrats managed state-owned enterprises. That didn't work either. Let us try something different. Let us try democracy.

Imagine an economy where all "public" corporations, that is to say, those corporations whose stocks are freely traded, have been nationalized (with compensation)--and turned over to their employees, to be managed democratically. Instead of absentee owners (stockholders) voting for a board of directors that appoints upper management, the employees elect a Workers' Council, which will select the CEO and monitor the performance of his or her team. Workers have a direct financial stake in selecting good management, since their own incomes are tied directly to the company's performance. They also have a direct stake in the performance of their fellow-workers, so less monitoring will be needed. Moreover, workers generally have a more intimate knowledge of a company than distant stockholders, so mistakes are likely to be detected more quickly.

Workers would not own the company, but they would control it. The company would be

required by law to set aside a portion of its profits in a "depreciation fund," to be used to replace deteriorating plant and equipment. (The fund must be sufficient to keep the value of the company's assets from declining.) But apart from this requirement, workers would have full authority over the operation of the enterprise: hiring and firing, income differentials within the company, what is produced, how it is produced, pricing, etc. Of course management would make most of these decisions, but this management is ultimately answerable to the workforce--not to stockholders or the government.

Economic Democracy does not require complete nationalization. Small businesses need not be democratized. Even large capitalist concerns can continue to function as capitalist firms, so long as they are privately-held, not publically-traded, companies. A viable socialism can allow for a capitalist sector. The point is to democratize the "commanding heights" of the economy--those companies whose stock is now traded on the major stock exchanges. These "public" companies should become truly public, that is to say, owned by society and governed democratically.

Capitalist firms in such a setting would pose no threat to the democratic-socialist character of the economy. To the contrary, with the commanding heights democratized, employers in the capitalist sector will be under pressure to develop more participation and profit-sharing opportunities for their own employees, for they must compete with democratic firms for the best workers.

Democratizing Capital

If "democratizing labor" means workplace democracy, what does "democratizing capital" entail? Consider the problem. Under capitalism, we, as citizens, lack democratic control over our society's social surplus--the private-sector profits generated each year, which are either consumed by those legally entitled to them (i.e. the owners of these enterprises) or reinvested. But how much of the social surplus is available for reinvestment, and how this investment is allocated, determines the future of our economy: which regions will grow and which will wither, which sectors will thrive and which will be starved, how much of the social surplus will be reinvested at home and how much will go abroad.

The fact of the matter is, it is exceedingly difficult to control the allocation of investment funds when these funds are private. How can a government tell a person where to invest his money? By what right can a government prohibit a person from investing abroad, if she so desires? And even if a government should claim such authority, how could that authority be enforced in an age of electronic transfers?

It follows that an effective democratization of capital entails breaking the connection between private savings and investment. We should not rely on private savings for investment. These funds should be publically, not privately, generated.

There is a surprisingly simple way to do this. Let us impose a capital assets tax on every business enterprise--a flat rate tax that can be regarded as a "federal property tax" on revenue-generating property. Revenues from this tax will constitute society's "investment fund," the money to be plowed back into the economy each year to enhance job and productivity growth. Since it is a flat-rate tax imposed uniformly across the country, it will have little effect on the relative competitiveness of firms.⁶

All the revenue generated by the capital assets tax should be reinvested in the economy. Since these are public funds, they should be allocated via public banks, using criteria in addition to (but not other than) profitability considerations. They should, for example, be allocated to regions the way public goods are allocated (usually on a per-capita basis), thus allowing for harmonious regional development.

This "democratization of capital" exhibits three crucial features:

- # Regions do not compete for capital. Each region gets its per-capita share of the national investment fund each and every year, as a matter of right.⁷ Thus regions are not tempted to compete for capital by offering tax breaks to companies who will come to their regions, laxer environmental regulations, less unionization. These forms of destructive competition are blocked.
- # This tax-generated capital stays in the country. It does not flow abroad in search of higher returns elsewhere. Since democratic firms do not relocate to lower-wage parts of the world either, or outsource their work, the whole problem of job migration abroad disappears.
- # Since these are public funds, a certain amount of investment prioritizing can be set by national, state and local governments. For example, funds can be offered at lower rates to companies willing to invest in environmentally-friendly technologies, or to help companies transition from the production of socially or environmentally harmful commodities to

those more beneficial.

A Right to Work

There is one huge and growing problem in our world today that simply "democratizing labor" and "democratizing capital" as outlined above does not address adequately, namely unemployment. How do we insure that every person who wants to work can find a job? Unemployment rates are high and rising in almost every country on earth. The consequences are terrible: poverty, deep psychological demoralization, increasing insecurity on the part of those who still have jobs. However attractive Economic Democracy might otherwise be, it cannot claim to be a worthy strawberry swirl if it cannot offer a solution to this problem.

In fact it can, but to do so, an additional institution is necessary, since a competitive economy of democratic firms has no greater tendency toward full employment than does a capitalist economy. To be sure, democratic firms are less likely to lay off workers than are capitalist firms. They will certainly not "downsize" when times are good, just to increase profits. When times are not so good, they are more likely to share the burden than by cutting the workforce. When workers are citizens of their enterprise, and not merely human commodities, they have vastly more employment security.

However, there is no guarantee that an economy of democratic firms, even when supplemented by a capitalist sector, will provide decent jobs for all who want to work. To realize this longstanding socialist goal, a real "right to work" (not to be confused with anti-union "right to work" laws that have been enacted in many states), the government must actively intervene. It

should intervene in two ways.

The first has already been mentioned, although without emphasis. Since investment capital, which comes from the capital assets tax, is allocated by public banks, these banks should make job creation a priority. Not an absolute priority. Funds should not be allocated just to keep struggling firms afloat. In a competitive market economy (which Economic Democracy is), inefficient firms, or those for whom demand for their product has fallen off, should not be subsidized. Market discipline is important to the healthy functioning of the economy. However, banks should give loan priority to startup companies and to firms willing and able to expand production by taking on new workers. Banks under capitalism do no such prioritizing.

The second form of governmental intervention is more direct and decisive. The government should serve as an employer-of-last-resort. That is to say, the government should stand ready to provide a job to anyone who wants one and who cannot find employment in the private or democratic sector.

This concept, government-as-employer-of-last-resort, is not a novel concept. It has long been advocated by various economists and public policy thinkers. Indeed, the Humphrey-Hawkins Full Employment Act, which was signed into law in 1978, very nearly contained such a provision. Draft legislation did, but the key provision was excised by Congress, rendering the bill a mere platitude.

In fact Congress knew what it was doing. For capitalism cannot flourish without unemployment. (This is something else never mentioned in polite company.) The threat of unemployment is the disciplinary stick that keeps the workforce in check. Without it, workers get uppity, press for higher wages, more rights. We then get either inflation (if higher wages can be

passed onto consumers) or a profit squeeze that brings on a recession (if they cannot).

Under Economic Democracy this disciplinary stick is unnecessary. This is a very important fact. Since workers' incomes are tied directly to the profitability of the firm, the incentive to do well is positive, not negative. Full employment becomes a real, as opposed to a merely abstract, possibility.

Fair Trade

There is one more institutional arrangement socialists should embrace. This one is not so much about democracy as fairness. Socialism has long been internationalist in intention. "Workers of the world, Unite!" said Marx and Engels. But they also said that the first task of socialism was "to win the battle of democracy," that is to say, achieve power in one's own country.⁸ So the question arises, how should an Economic Democracy interact with other countries? In particular, what should be its trade policies?

Recall our analysis of markets. A sophisticated socialism will embrace market competition, so long as it is the right kind of competition, competition that spurs us to produce better goods more efficiently. What we don't want is wage competition, which pits worker against worker, nor do we want competition that encourages a disregard of health and safety standards or our planet's ecology. It follows that we will embrace free trade--but only with countries whose workers have a standard of living comparable to our own, and whose governments enforce environmental and social legislation as strict as our own.

In trading with poorer countries, we should adopt a policy of "socialist protectionism"

consisting of two parts:

- # "Social tariffs" are imposed on goods imported from poor countries, designed to compensate for low wages, and or a lack of commitment to worker health and safety or environmental safeguards. (This is the protectionist part.)

- # The collected tariffs are rebated to the poor countries on whose goods the tariffs were placed. (This is the socialist part.) These proceeds need not go to the governments of these countries. It might be deemed better to channel them to labor unions or non-government organizations working to improve wages and working conditions there.

This policy has several implications. First of all, as workers we are protected from unfair, race-to-the-bottom competition. Secondly, as consumers we have to pay more for goods imported from poor countries than we do now. This is as it should be. As socialists we do not think it right to take advantage of the miserable conditions under which our brothers and sisters elsewhere in the world are compelled work. We should pay fair prices for the goods they provide us. Thirdly, since these countries are, in effect, getting a higher price for their exports than they otherwise would, they can devote fewer of their resources to satisfying the needs and desires of rich countries, more to satisfying their own needs and desires. (A socialist finds it obscene that current economic policies compel poor countries to use their best resources, often their best land, to enhance rich country consumption.)

A socialist ethic would doubtless require more than socialist protectionism in dealing with

poor countries. We can rewrite our intellectual property laws, so that poor countries can have easy access to our technologies. We can provide scholarships to students of these countries so that they might attend our engineering and technical schools. We can fund programs in appropriate technologies, open to our own researchers and students who want to contribute directly to the amelioration of global misery, and to researchers and students from abroad. There is much we can do, if we put our minds and resources to the task--none of it terribly expensive, none of it threatening to our own working population.

Getting From Here to There

John Rawls, the most influential American political philosopher of the twentieth century, has described his own proposal for a just world order as a "realistic utopia." "Political philosophy is realistically utopian," he writes, "when it extends what are ordinarily thought of as the limits of practical political possibility." Such philosophy, following Rousseau, "takes men as they are, and laws as they might be" as the basis for constructing and defending an ideal that exists as yet "nowhere," but is in fact within our reach.⁹

Is the proposal set out above a Realistic utopia or is it an ideal too far-fetched to be entertained seriously? Let me offer three reasons for thinking of Economic Democracy as the former, not the latter.

First of all, we may consider Economic Democracy as an ideal suggestive of reforms that could be undertaken here and now—reforms that do not take us all the way to Economic Democracy, but move us in that direction. If these reforms are implemented, and if they prove

successful (as I think they will), then Economic Democracy will no longer be dismissed as an impossible dream.

Consider such reforms as these:

- # A capital assets tax might be implemented. The time might well be ripe for a new kind of tax, a tax that does not directly target workers or consumers (as do income and sales taxes). These tax revenues should be specifically earmarked for employment creation: low cost loans, for example, to businesses willing to take on more workers, or to workers wanting to buy their company to prevent its relocating abroad.¹⁰
- # We might also propose legislation in support of workplace democracy directly. Why not pass a law granting workers in a publically-traded corporation the right to buy their firm, if a majority of the workforce wish to do so? A labor trust can be set up that uses government loans and payroll deductions to purchase company stock. When, after a number of years, the labor trust comes to own the majority of the stock, the firm's Board of Directors can be elected by the workers on the basis of one-person, one-vote, thus giving workers democratic control of their firm.¹¹
- # We might (re-)introduce genuine "right to work" legislation. I have argued that capitalism requires unemployment. Not all economists agree. Nobel Laureate (1996) William Vickery has argued vigorously for "chock-full" employment, to be achieved by making the government the employer-of-last-resort.¹² One need not be a socialist to back such a

measure.

Finally, we might advocate our Fair Trade proposals. We probably wouldn't want to label them Asocialist protectionist,@ but we could push for them all the same: tariffs to block wage competition, with the proceeds rebated to the countries of origin.

A second reason for considering Economic Democracy to be a plausible future is to imagine how a country such as the United States might react to a severe economic crisisCa major stock market crash--if such a crisis were to occur at a time when progressive forces were in the electoral ascendancy. (The model here is the election of Franklin Delano Roosevelt in 1932, in the first presidential election after the onset of he Great Depression.) That such a crash might occur is by no means unthinkable. There is concern today in many quarters that the genie may be out of the bottle, that the forces unleashed by financial deregulation may not be controllable by existing mechanisms. Think of this now from the perspective of Economic Democracy.

If there should be a stock market collapse, it would affect tens of millions whose pensions are suddenly at risk. There would be massive support for government intervention.

With stock prices at rock-bottom, nationalization would be easy. If the government offered people the option of exchanging their near-worthless stock for better-paying annuities, this move would be highly popular. It would also make good economic sense, since this would put more money into an economy badly in need of pump-priming. These now nationalized companies could then be leased to their workers, to be run democratically. This too would likely be highly popular.

There you have it. There was nothing to fear but fear itself. The solution to the crisis was

Economic Democracy.¹³

My third reason for considering Economic Democracy to be a realistic utopia is more philosophical. There is an important philosophical tradition embracing Kant, Hegel and Marx that regards the human species as engaged in the process of creating an ever more rational world, grounded in freedom. The process is slow, often opaque, often subject to reversals, and yet, ultimately, there is a direction to history, and it is a direction that should give us cheer.

I think there are good grounds for endorsing this view. We are, after all, a deeply pragmatic species, with an astonishing capacity for creative development. When confronted with problems, we try to solve them. We experiment. We learn from our mistakes. If a solution exists, sooner or later we hit upon it.

I submit that we are reaching the point where we will have to admit that the old order has exhausted itself, and is incapable of solving the problems that confront us. This thought is as yet consciously acknowledged by relatively few, but it is intuitively felt by many more. I submit further that we are not far from seeing that there is indeed a better way. Sooner or later what has so far been realized only piecemeal and on a small scale will be tried on a larger scale. It will be tried, and it will succeed, at least to a degree. This first experiment will be followed by others.

The democratic impulse has not exhausted itself, nor the impulse to make our world a freer and more rational place. These impulses will be resisted. We cannot say with certainty that democracy, freedom and rationality will prevail. What we can say with certainty is that there will be a struggle, and it will involve the efforts of millions. The slogan has already been articulated by the global justice movement: ANOTHER WORLD IS POSSIBLE. That "other world" may well have Economic Democracy as its economic structure.

Endnotes

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1. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 2002), p. xiv. This is from the 1982 preface to the twentieth anniversary edition of his conservative manifesto, first published in 1962. Friedman is reflecting on the tremendous ideological shift that had occurred, moving him from the fringes of respectability to the intellectual and political mainstream in less than twenty years.
 2. Thomas Friedman, *The Lexus and the Olive Tree: Understanding Globalization* (New York: Anchor Books, 2000), p. 104.
 3. Economist Paul Krugman has noted that "by standard measures, the real take-home pay [that is to say, take-home pay adjusted for inflation] is lower now than it was a quarter of a century ago." He has also pointed out that over the past thirty years the average annual salary in America has increased only ten percent, whereas the real annual compensation of the top 100 C.E.O.'s increased three thousand percent. See *The Great Unravelling: Losing Our Way in the New Century* (New York: W.W. Norton, 2003), p. 377, and "For Richer," *The New York Times*, October 20, 2002.
 4. Cf. Nobel-laureate Joseph Stiglitz's fierce critique, *Globalization and Its Discontents* (New York: W.W. Norton, 2002).
 5. For more on this point, see Michael Howard's contribution to this volume. See also Gregory Dow, *Governing the Firm: Workers' Control in Theory and Practice* (Cambridge: Cambridge University Press, 2003).
 6. It will have some effect, since the tax will fall more heavily on the more capital-intensive firms. This is a desirable effect, since it reduces (somewhat) the tendency to replace workers by more capital-intensive technology, which exacerbates unemployment.
 7. Per-capita share is the prima facie principle governing investment allocation. This could be modified by the legislature at the appropriate level to take into account special circumstances.
 8. The Communist Manifesto contains both these injunctions. See Parts Two and Four.
 9. John Rawls, *The Law of Peoples* (Cambridge, MA.: Harvard University Press, 1999), pp 6-7.
 10. It should be noted that in the United States labor is taxed, but not capital, a situation that is neither fair nor economically optimal. A payroll tax is imposed on workers and employers, to fund Social Security. Since labor is taxed while capital is not, firms are motivated to use more

capital and less labor than they otherwise would--thus exacerbating the unemployment problem. The capital assets tax redresses this imbalance.

11. This is an short and oversimplified account of what economist Gregory Dow, chair of the Economics Department of Simon Fraser University, has called a "modest proposal." See Dow, *Governing the Firm*, Chapter Six, for details. Dow crafts his proposal so as to conform with normal procedures for taking a public firm private, only in this instance, the new owners are the workers, not a set of wealthy investors.

12. Vickrey died unexpectedly shortly after having been named Nobel laureate in 1996. For an overview of his work, and additional, distinguished, contributions to the argument for having the government as employer-of-last-resort, see *Commitment of Full Employment: The Economics and Social Policy of William S. Vickrey*, ed. Aaron Warner, Mathew Forstater and Sumner Rosen (Armonk, NY: M.E. Sharpe, 2000).

13. I've offered here a very brief sketch. For a more elaborated version of this scenario, see my *After Capitalism* (Lanham, MD: Rowman and Littlefield, 2003), pp. 173-177.