

strategies and principles. Indeed, it requires the kinds of new economic approaches that, as we have seen, are now developing in all parts of the country. The new politics is thus also likely to accelerate and nurture the further development of practical system-shifting institutional efforts.

The overall arc of development also offers the promise of new ways to undergird individual choice—and the time and security to exercise such choice creatively and in the context of communities sustained by new political-economic strategies. It is not, accordingly, simply about social and economic matters or systemic change writ large. It is about individual fulfillment in the context of community.

Historian Lawrence Goodwyn's studies of nineteenth-century populism suggest the emerging changes may offer one additional possibility. Individuals who come together to demand a new way forward, in so doing, may well also rebuild the foundations of "unintimidated self-respect . . . the one essential ingredient of an authentic mass democracy."¹

PART V

TOWARD A MORALLY COHERENT POLITICS

AT THE TIME OF THE DECLARATION of Independence, the United States comprised a modest line of settlements along a thin shelf of land bordering the Atlantic Ocean, plus a smattering of inland farms and small community groupings. The first census in 1790 registered a total population of less than 4 million. Only five cities numbered more than ten thousand; the two largest, New York and Philadelphia, fewer than fifty thousand.¹

The majority of Americans earned their living in agriculture; technologically, the horse and iron plow were standard. Commerce was mainly restricted to traders and small manufacturers. Neither men without significant property, nor women, nor slaves could vote. For them—a large majority of the population—there was no democracy. Government constituted a tiny percentage of the small postcolonial economy; federal spending had reached only a little over \$7.5 million by 1795.²

By the year 2000 dramatic shifts in geographic scale and population had transformed the postcolonial settlements

into a continental nation of over 280 million—more than seventy times the population at the time of the Declaration. Nearly 65 percent of Americans now lived in metropolitan areas of more than a million; with over a third (35 percent) living in areas of more than 2.5 million.³

Revolutionary changes had relegated the once dominant independent farmer and individual entrepreneur to the secondary margins of economic life. The large for-profit limited liability corporation had been elevated to a central role in ongoing American life, radically different from anything ever envisioned by classical free-market theory (the most important text of which, by Adam Smith, had just begun to circulate shortly after the Revolution).⁴

Transformative changes in technology had taken the nation from the horse and buggy to the steam locomotive to the automobile and on to manned flight and the jet airplane—to say nothing of penicillin, antibiotics, and DNA, on the one hand, and the development of computers and the Internet, on the other. The average person could now earn approximately seventeen times what his or her counterpart in the late eighteenth century could with roughly the same expenditure of time and energy.⁵

Evolutionary changes in public institutional structure had transformed government from a tiny force to almost 40 percent of direct activity in the modern economy—plus a vast array of regulations, loans, loan guarantees, tax provisions and related incentives, and other indirect activities. At the same time, extraordinary changes in culture forced the elimination of slavery and much (though hardly all) racial discrimination—and ended many (though hardly all) obstacles to women's equal participation in virtually every institution of modern society.

It would be surprising if the coming era did not experience large-order transformative shifts at least as great as these. Indeed, given that technological change is now extraordinarily rapid (there are more scientists alive today than in all of

previous human history)—and given that the constitutional structure of the nation was scripted in the time of the horse and the plow—it would be even more surprising if far greater changes than had ever previously occurred were not to dominate the coming stages of American development.⁶

Conclusion

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interested parties that do not and cannot claim any deeper democratic or moral legitimacy.

A political-economic system can continue to violate the values it affirms for a very long time without major consequences. It is unlikely, however, to be able to do so forever. The question is: can a meaningful, morally coherent, and ultimately positive politics be constructed in the emerging era of technological abundance?

Can a new direction be set that acknowledges the systemic nature of our problems and openly posits a concrete alternative and a process that might move in a new direction? Can the system be changed?

It is important to stand back from the current moment to consider underlying issues of principle that will frame the politics of the coming era—to and through times of war and terrorism . . . and beyond. Leaving aside the question of near- or long-term political-economic feasibility, four fundamental contentions are suggested by the evolving political-economic developments we have reviewed:

First, that there is no way to achieve movement toward greater equality without developing new institutions that hold wealth on behalf of small and large publics.

Second, that there is no way to rebuild Democracy with a big D in the system as a whole without nurturing the conditions of democracy with a small d in everyday life—including the economic institutions that allow and sustain greater stability of local community life.

Third, that there is no way to achieve democracy in a continental-scale system with a population moving toward 400 million people—and possibly a billion or beyond—without radical decentralization, ultimately in all probability to some form of regional units.

Fourth, that there is no way to achieve meaningful individual liberty in the modern era without individual economic security and greater amounts of free time—and that neither

THE UNITED STATES IS THE wealthiest nation in the history of the world. By the end of the twenty-first century it will have the technological capacity to increase the income of all its citizens many times over or to radically reduce work-time and thereby allow a new flowering of democracy, liberty, and personal and community creativity. The new century could be—should be—one of innovation, hope, even excitement.¹

Few Americans approach the century this way. The future is clouded by problems rather than opportunities; it appears as an era of great political difficulty and danger. At the most obvious level is the threat posed by terrorism and war—and the many challenges to liberty that overly zealous approaches to both have produced. At another level are the growing social, economic, racial, and other difficulties catalogued in the preceding pages. Critically, confidence that the great traditional values at the very heart of the American experience can be sustained has been declining rapidly.

A society committed to enhancing equality, liberty, and democracy that is unable to achieve such values in practice—indeed, that is moving in precisely the opposite direction—is committed to a morally incoherent politics. If such a politics continues through time, ever greater cynicism must develop; and with it, an ever deepening sense that American society has lost its moral compass, that government policies are merely the result of power plays and brokering between

of these, in turn, is possible without a change in the ownership of wealth and the income flows it permits.

These four contentions stand on their own. Indeed, at this point in American history, the ball is in the court of those who hold that equality, liberty, and meaningful democracy can be achieved *without* meeting the challenges suggested by the four basic points. Further related questions are whether there is any other way to achieve gender equality, ecological sustainability, and the sustained reality of meaningful community.

The Pluralist Commonwealth model holds, beyond this, that democratic control of large economic enterprise—a central problem confronting all political-economic systems—can never be achieved without transforming and making public the ownership of large-scale wealth and without developing a new culture—and further, that this can only be done by building on the four key elements.

Without local democracy, there can be no culture of democratic practice; without security and time, there can be only a weak citizenry; without decentralization, it is difficult to mobilize democratic practice and accountability; and without major and far-reaching new forms of wealth holding, there can never be adequate support for the conditions and policies needed to build a more egalitarian and free democratic culture.

Finally, the model is based on the judgment that greater equality, greater individual economic security, greater amounts of free time, and—upon this basis—the reconstitution of a culture of common responsibility are ultimately required if we are ever to reorient our community and national priorities in general.²

The central argument of this book is that the first decades of the twenty-first century are likely to open the way to a serious debate about these and other systemic questions—and further, that real-world conditions during the coming period are likely to offer opportunities for establishing substantial foundations for a possible longer-term systemic transformation thereafter.

The prospects for near-term change are obviously not great—especially when such change is conceived in traditional terms. Indeed, although there may be an occasional progressive electoral win, there is every reason to believe that the underlying trends will continue their decaying downward course. In many ways times are likely to get worse before they get better.

On the other hand, fundamental to the analysis presented in the preceding pages is the observation that for precisely such reasons, there is likely to be an intensified process of much deeper probing, much more serious political analysis, and much more fundamental institutional exploration and development. We have also noted that there are important signs of change in the traditional “laboratories” of democratic process. States from Alaska to California, and from Alabama to Ohio, have moved forward to create—and systematically build political support for—many new political-economic experiments and strategies. Federal fiscal and other decisions are now producing pain and reassessment at every level.

Traditionally, a distinction has been made between reform, on the one hand, and revolution, on the other. The former implies nonviolent improvement in the outcomes of a given system—with no fundamental change in its basic institutional structure. It cleans up around the edges of the existing system, as it were—sometimes slowly, sometimes in major political outbursts. The latter commonly implies abrupt and often violent change—above all, of the fundamental institutional structures of the system.

The kind of change that appears in the various trajectories of emerging U.S. development involves an unusual combination of strategic approaches. Like reform, in the main it involves step-by-step nonviolent change. But like revolution, its process is oriented to the development of different institutional structures to replace traditional corporate forms over time. It might appropriately be called “evolutionary reconstruction.”

A politics based on evolutionary reconstructive principles does not abandon reform when it can achieve important gains. On the other hand, such a politics explicitly seeks to understand—and to foster—the longer-term foundational requirements of the values it affirms. It is not satisfied with, or misled by, occasional electoral gains that do little to alter the direction of long-term trends. It is a politics of historical perspective and commitment to the long haul.

Few predicted either the upheavals of the 1960s or the conservative revolution that followed. Major eruptions and political realignments are the rule, not the exception in U.S. history. Large numbers of working Americans; blacks and Hispanics who will become a majority as the century develops; senior citizens (and those who shortly will become seniors); women who seek practical ways to achieve thoroughgoing gender equality; liberals and conservatives alike who value family and community; environmentalists who cannot secure protections either for endangered goals or sustainable growth along current lines of development—all are finding it increasingly difficult to realize their objectives through traditional means.

A fundamental question is what may happen as various groups, each beginning with more narrowly defined interests, come to the realization that what they value most cannot be achieved without a new approach. If, as appears increasingly likely, such awareness begins to intersect with the knowledge and experience gained through the development of new strategies and ideas, new possibilities are likely to become available to politics in the coming era.

There are numerous indications of underlying political instability in the U.S. system. Millions have expressed their discontent by breaking with the major political parties to vote for Ross Perot, Pat Buchanan, and Ralph Nader; to elect Jesse Ventura in Minnesota; and to support Howard Dean's insurgent campaign for the Democratic Party nomination in 2004. Such "unexpected" developments also suggest that

beneath the surface level of politics-as-usual, it is by no means clear that the public is or will remain quiescent forever—especially if social and economic pain continues, if political elites continue to overreach, and if new directions begin to be clearly defined.³

The term "conjunktur" designates a coming together at one moment in time of diverse trends to create new, unforeseen, and often dramatic opportunities for change. A major electoral shift or political realignment is easily conceivable—and with it the truly interesting question of the first decades of the century: whether foundations for something much more far-reaching might be established for the period beyond.

The legitimacy of the present economic arrangements and entitlements is also likely to be called into question by large-order developments that intersect with—and strengthen—ongoing efforts to achieve change.

In the late 1990s economist William Baumol pointed out that per capita GDP in the United States had increased ninefold since 1870—and that almost 90 percent of this growth was due to innovations developed over the previous 130-year period. Even pre-1870 innovations such as the steam engine and the railroad, he observed, "still add to today's GDP."⁴

Nobel laureate Robert Solow has similarly pointed out that current economic growth must overwhelmingly be attributed to "residual" factors that, broadly speaking, involve the huge contributions of inherited technological knowledge. Again, research by economist Edward Denison has shown that advances in knowledge are "the biggest and most basic reason for the persistent long-term growth of output per unit of input."⁵

The moral—and hence, ultimately, political—implications of this growing understanding are beginning to be recognized. Above all, as historian Joel Mokyr observes, the vital knowledge we receive from the past comes to us through no effort of our own as a "free lunch." The implicit question is inherently explosive: if so, who should rightly benefit, and in

what proportions, from this extraordinary inheritance—this free gift that produces so much of our common abundance?⁶

Seth Shulman, the author of *Owning the Future*, has made the obvious connection. The elites who hold most of the rights to modern technologies “are legally sanctioned, but the legitimacy of their claims often remains dubious because of the debt they owe to innovations that have been made possible only by years or decades of collective advances.”⁷

The current technological contributions that produce such huge rewards for the fortunate few, in short, are a mere pebble placed atop a Gibraltar of received science and technology that makes the modern additions possible—and that was often paid for by the public, and that can be traced back through many generations, indeed, centuries. Current elites, William Gates Sr. urges, disproportionately reap the harvest of what is inherently a collective investment. Gates proposes their estates be taxed accordingly.⁸

The late Herbert Simon, another Nobel laureate, defined the central issue this way: “[A]ny causal analysis explaining why American GDP is about \$25,000 per capita [1998] would show that at least two-thirds is due to the happy accident that the income recipient was born in the U.S.” Simon termed the vast gift of the past a sort of “patrimony” received simply by the chance of birth—and like Gates, urged that this should be subject to large-order taxation.⁹

We have noted growing anger at the extreme wealth of some amid the great poverty of others—and, too, at the corrupt practices of many leading corporate executives. We have seen that elite ownership has very little to do with the demands of efficiency and productivity, and that a variety of institutional forms can manage wealth effectively—indeed, often more effectively than traditional forms.

The new understandings that the computer, satellite communication, and the World Wide Web increasingly underscore are the moral wild cards of the era of technological abundance. Nobel laureate Joseph Stiglitz urges in general that “just as the importance of land in production changed

dramatically as the economy moved from agriculture to industry, so too does the movement to a knowledge economy necessitate a rethinking of economic fundamentals.” As recognition that the sources of modern abundance are deeply rooted in the legacy we all commonly receive from the past continues to develop, it is likely to bring with it a powerful critique of all justifications of current wealth ownership patterns and a powerful rationale for new, broader allocations and institutional strategies.^{*10}

Little has been said in the preceding pages about global issues and international relations. The reason is not only that this book is devoted primarily to U.S. developments. It is that it is extremely difficult to imagine a fundamental shift in America’s stance toward the rest of the world absent a transformation of our own ways at home. The argument of Alexis de Tocqueville and John Stuart Mill—that ultimately democracy in a nation depends upon the development of democracy in its communities—is echoed in the judgment that America is unlikely to play a different role in the world until it is a different America—until it finds ways once again to realize values of equality, liberty, democracy, and, one day, perhaps even of community in our own land. Efforts to alter the excesses of America’s international stance and to persuade the United States to respond more humanely to global problems are both essential and laudable. If we Americans truly hope to help others around the world, however, we have much hard work to do, first and foremost, here at home.

* The evolving recognition that the technologies and other gifts of the past at the heart of the modern economy are different—and that they are not primarily the result of current effort or merit—also recalls the understanding of leading figures of the early Chicago school of economics. Here, for instance, is Frank Knight: “Existing capacities to render service, including ownership of wealth, are in turn the result of the working of the economic process in the past.” Knight continues, “There is no visible reason why anyone is more or less entitled to the earnings of inherited personal capacities than to those of inherited property in any other form; and similarly as to capacity resulting from impersonal social processes.” Frank Knight, *Freedom and Reform* (New York: Harper & Brothers, 1947), pp. 9, 151.

Large-order institutional restructuring, we tend to forget, is exceedingly common in the long sweep of world history. The difficulty lies in pulling ourselves out of the present moment to consider our own possibilities in broader historical perspective.

The current years of terrorism and war are not the first time our nation has been challenged by grave danger, nor is this the only time it has experienced great violence at home. Indeed, we have survived even civil war and losses many times those of recent years. The fundamental questions posed throughout this book may or may not be answered. They will not, however, go away.

We have begun a new century. The coming decades will establish the terms of reference for further, future change. It is not possible to know whether a new direction based on the developing ideas, models, practical experiments, and new alliance explorations can lay the foundations for the next political-economic system. Or whether, over time, a new basis can thereby be established for a politics capable of unleashing the moral energies that can flow from a renewed commitment to achieving equality, liberty, and democracy.

It is possible, however, for one person—each person—to help refine our understanding and our strategies and to help establish the practical and political elements needed in the first stage of any realistic forward-moving developmental process. Each step is valuable on its own terms, no matter what.

Long before the civil rights movement, there were many years of hard, quiet, dangerous work by those who came before. Long before the feminist explosion there were those who labored to establish new principles in earlier decades. It is within the possibilities of our own time in history that—working together and openly charting an explicit new course—this generation can establish the necessary foundations for an extraordinary future and for the release of new energies.

It may even be that far-reaching change will come much earlier and much faster than many now imagine.

Notes

PREFACE

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INTRODUCTION

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5. The specific contributions of numerous scholars over many years are cited throughout this book. Among conservatives, the early work of Louis Kelso and Robert Nisbet deserves special mention. Important early progressive contributions include those, especially, of E. F. Schumacher, Martin Carnoy and Derek Shearer, Jane Mansbridge, Samuel Bowles and Herbert Gintis, Benjamin Barber, Bertell Ollman, Murray Bookchin, Noam Chomsky, Robin Hahnel and Michael Albert, and Robert Dahl. In recent years the ongoing work of the Real Utopias project led by Erik Olin Wright has been particularly valuable. The trajectory of my own concern begins with an initial effort in the late 1960s, "Notes Towards a Pluralist Commonwealth," which is most easily available in Staughton Lynd and Gar Alperovitz, *Strategy and Program* (Boston: Beacon Press, 1973). See also Thad Williamson, *What Comes Next? Proposals for a Different Society* (Washington, D.C.: National Center for Economic and Security Alternatives, 1998). See also John Cavanagh and Jerry Mander, et al., *Alternatives to Economic Globalization: A Report of the International Forum on Globalization* (San Francisco: Berrett-Koehler, 2002); Roberto Mangabeira Unger, *Democracy Realized* (New York: Verso, 1998); Hazel Henderson, *Creating Alternative Futures* (San Francisco: Kumarian, 1996); Jeff Gates, *The Ownership Solution: Toward a Shared Capitalism for the Twenty-First Century* (Reading, Mass.: Addison-Wesley, 1998); and Immanuel Wallerstein, *After Liberalism* (New York: The New Press, 1995). I have not attempted to cite in this work the vast literature and numerous important contributions made by many others who have offered significant "market socialist" strategies, or the many insights provided by earlier guild socialist and anarcho-communitarian theorists. However, for a useful overview of the market socialist debate see Bertell Ollman (ed.), *Market Socialism: The Debate Among Socialists* (New York: Routledge, 1998).
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6. Thomas I. Palley, "The Economics of Globalization: Problems and Policy Responses," Paper prepared for the plenary meeting of the Pontifical Academy of Social Sciences, March 3-6, 1999, The Vatican (revised July 1999), p. 9.
7. Office of Management and Budget, *Budget of the United States 2005: Historical Tables*, (Washington, D.C.: Government Printing Office, 2004) w3.access.gpo.gov/usbudget/2004/pdf/hist.pdf (accessed 08/22/03), table 2.2, pp. 31-32. For 2003 numbers see Congress of the United States, Joint Economic Committee, "U.S. Corporate Taxes are Very Low from Both an Historical and International Perspective," November 6, 2003, jec.senate.gov/democrats/Documents/Releases/dcnov2003.pdf (accessed 05/25/04). The welfare state, Dani Rodrik concludes, "can work as long as international economic integration is not too advanced. But once globalization moves beyond a certain point, the government can no longer finance the requisite income transfers because the tax base becomes too foot-loose." Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute for International Economics, 1997), p. 55. See also Lucas Bretschger and Frank Hetrich, "Globalisation, Capital Mobility and Tax Competition: Theory and Evidence for OECD Countries," Paper for the Dynamics, Economic Growth, and International Trade, V Conference, June 22-24, 2000. For other views see Geoffrey Garrett, *Partisan Politics in the Global Economy* (New York: Cambridge University Press, 1998); and Duane Swank and Sven Steinmo, "The New Political Economy of Taxation in Advanced Capitalist Democracies," *American Journal of Political Science*, vol. 46, no. 3 (July 2002), pp. 642-655. General Accounting Office, "Tax Administration: Comparison of the Reported Tax Liabilities of Foreign and U.S. Controlled Corporations, 1996-2000," GAO-04-358, February 2004, table 4. The study further distinguished between large and small corporations ("large" indicates assets of at least \$250 million or gross receipts of at least \$50 million in constant 2000 U.S. dollars). In 2000 more than 45 percent of large U.S. companies paid no federal taxes, *ibid.*, table 6.
8. Juliet F. Gainsborough, *Fenced Off: The Suburbanization of American Politics* (Washington, D.C.: Georgetown University Press, 2001), pp. 76-77; J. Eric Oliver, *Democracy in Suburbia* (Princeton: Princeton University Press, 2001), p. 86; and Thomas Byrne Edsall with Mary D. Edsall, *Chain Reaction* (New York:

- W. W. Norton, 1991), pp. 5-6. See also Jill Quadagno, *The Color of Welfare: How Racism Undermined the War on Poverty* (New York: Oxford University Press, 1994).
9. August B. Cochran III, *Democracy Heading South* (Lawrence: University of Kansas Press, 2001), p. 23.
10. On market-generated inequality see Lester C. Thurow, *Zero-Sum Society* (New York: Basic Books, 1980), pp. 199-200; see also Claudia Goldin and Robert A. Margo, "The Great Compression: The Wage Structure in the United States at Mid-Century," *Quarterly Journal of Economics*, vol. 107, no. 1 (February 1992), pp. 1-34; and Robert D. Plotnick, Eugene Smolensky, Erik Evenhouse, and Siobhan Reilly, "The Twentieth-Century Record of Inequality and Poverty in the United States," in *The Cambridge Economic History of the United States*, Vol. 3, *The Twentieth Century*, ed. Stanley Engerman and Robert Gallman (New York: Cambridge University Press, 2000), pp. 249-300, cited material on p. 286. See also U.S. Census Bureau, "Index of Income Concentration (Gini Index), by Definition of Income: 1979 to 2001," table RD1-5, www.census.gov/hhes/income/histinc/rd15.html (accessed 12/03/02). In general, and in connection with shifts that took place prior to 1950, note especially the tax structure put in place as a result not of "normal politics" but of World War II; note also the ongoing post-World War II impact of such critical programs as AFDC and Social Security, enacted in the special political environment of the Depression. A possible exception to the general rule was the enactment of Medicare and Medicaid in 1965 in the highly unusual Great Society Congress elected in the wake of the Goldwater defeat of 1964. The debacle resulted in the temporary defeat of thirty-eight Republican members of the House—the equivalent in many instances of a shift of seventy-six votes in the House.
11. Congressional Budget Office, "Effective Federal Tax Rates, 1997 to 2000," August 2003, www.cbo.gov/ftpdocs/cfm/index=4514&type=1 (accessed 10/06/03), table B1-C. Average income of the bottom 20 percent increased from \$13,700 in 1973 to \$14,600 in 2001 while average income for the top 5 percent increased from \$205,500 to \$434,300 (all figures are adjusted by the Congressional Budget Office to 2000 dollars using the CPI-U-RS).
12. Lawrence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America: 2002-2003* (Ithaca, N.Y.: ILR Press, 2003), tables 1.7, 2.6, pp. 47, 128.
13. While favorable economic conditions in the second half of the 1990s modestly raised both median real wages and median family income, the return of slow growth and recession undermined these slight gains. Median income fell and poverty increased in both 2001 and 2002—and recent data suggest continuing difficulties in 2003. Between 2000 and 2002 the number of those in poverty increased by 3 million; the average income of the poor in 2002 was lower relative to the poverty line than in any year since 1979. Center on Budget and Policy Priorities, "Poverty Increases and Median Income Declines for Second Consecutive Year" (September 29, 2003), www.cbpp.org/9-26-03pov.htm (accessed 05/20/04). Mishel, Bernstein, and Boushey, *The State of Working America*, table 2.1, pp. 98, 117.
14. See Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," Bulletin 2307 (August 1988). The rate of married women joining the labor force slowed from 1.3 percent per year in the 1970s to 0.4 percent in the 1990s. Over the postwar period, the share of families with a spouse to add to the labor force also declined as marriage rates declined. Currently, 62

- percent of wives are working—which may be close to a "ceiling" participation rate, according to Mishel and Bernstein. Mishel, Bernstein, and Boushey, *The State of Working America*, table 1.7 and pp. 46-47; and Lawrence Mishel, Jared Bernstein, and John Schmitt, *The State of Working America: 2000-2001*, table 1.6. On wives' labor participation rates, see Chapters 1 and 15 in this book.
15. John Kenneth Galbraith, *The Culture of Consentment* (Boston: Houghton Mifflin, 1992), p. 179. See also Lester C. Thurow, *The Future of Capitalism* (New York: William Morrow, 1996), p. 245.
 16. Richard B. Freeman, "Solving the New Inequality," in *The New Inequality: Creating Solutions for Poor America*, ed. Joshua Cohen and Joel Rogers (Boston: Beacon Press, 1999), p. 11.
 17. Freeman, "Solving the New Inequality," p. 14.
 18. Robert B. Reich, "To Lift All Boats," *Washington Post*, May 16, 1999, pp. B1, B4.
 19. Jeff Gates, *The Ownership Solution* (Reading, Penn.: Addison-Wesley, 1998), p. 17.
 20. Worker-ownership ideas, of course, were widely discussed in the nineteenth century. For a discussion of the earlier era see Terence V. Powderly, *The Path I Trod*, ed. Harry J. Carman, Henry David, and Paul N. Guthrie (New York: Columbia University Press, 1940), pp. 206, 273-285; and Kim Voss, *The Making of American Exceptionalism: The Knights of Labor and Class Formation in the Nineteenth Century* (Ithaca, N.Y.: Cornell University Press, 1993), pp. 84-85.
 21. Samuel Bowles and Herbert Gintis, "Efficient Redistribution: New Rules for Markets, States, and Communities," in *Recasting Egalitarianism: New Rules for Communities, States, and Markets*, ed. Erik Olin Wright (New York: Verso Books, 1998), pp. 10, 58, 37.
 22. Bowles and Gintis, "Efficient Redistribution," pp. 37-38. Economic arguments in support of worker ownership have been offered by a range of scholars. See, for instance, David Schweickart, *Against Capitalism* (Boulder, Colo.: Westview Press, 1996); Gregory K. Dow, *Governing the Firm: Workers' Control in Theory and Practice* (New York: Cambridge University Press, 2003); and Joseph Blasi, Douglas Kruse, and Aaron Bernstein, *In the Company of Owners: The Truth About Stock Options (And Why Every Employee Should Have Them)* (New York: Basic Books, 2003), among others. For an overview of pros and cons and a theory that emphasizes the costs of decision making, see Henry Hansmann, *The Ownership of Enterprise* (Cambridge, Mass.: The Belknap Press, 1996). For a recent empirical study that emphasizes the gains of participatory decision making, see John Logue and Jacquelyn Yates, *The Real World of Employee Ownership* (Ithaca, N.Y.: ILR Press, 2001). For critical views see Michael C. Jensen, *A Theory of the Firm: Governance, Residual Claims and Organizational Forms* (Cambridge, Mass.: Harvard University Press, 2000), chapter 6 in particular; and Armen A. Alchian and Harold Demsetz, "Production, Information Costs, and Economic Organization," *American Economic Review*, vol. 62, no. 5 (December 1972), pp. 777-795. See Chapter 7 in this book for a discussion of studies of the efficiency of the most common form of worker ownership.
 23. Jeff Gates, *The Ownership Solution* (Reading, Penn.: Addison-Wesley, 1998), p. 167, support from others cited in Gates, pp. 167-169; and Robert Kutner, "Broaden the Wealth: An Idea Even Conservatives Love," *Business Week*, no. 3545 (September 22, 1997), p. 22.
 24. Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2004-2008* (JCS-8-03) (Washington, D.C.: Government Printing Office, 2003), table 1, pp. 22, 28. Estimated tax expenditures in 2004 for home-ownership

- include deductions for mortgage interest (\$61.4 billion), property taxes (\$18.7 billion), and the exclusion of capital gains on the sale of homes (\$17.9 billion). Tax expenditures related to pension contributions include those for employer plans (\$94.6 billion), individual plans (\$13 billion), and Keoghs (\$6.2 billion).
25. Michael Sherraden, *Assets and the Poor* (Armonk, N.Y.: M.E. Sharpe, Inc., 1991), p. xv (emphasis in the original).
26. Social Security Solvency Act of 1999, S.21, 106th Congress, Sec. 11, Part C—Kidsave Accounts. Robert B. Reich, "To Lift All Boats," *Washington Post*, May 16, 1999, p. B1.
27. Senators Moynihan, Lieberman and Breaux cosponsored S.2184, Kerrey's "Kidsave" bill in the 105th Congress. Robert Kutner, "Rampant Bull," *The American Prospect*, vol. 9, no. 39 (July–August 1998), pp. 30–36. Similar proposals have been offered by Republican Senator Rick Santorum of Pennsylvania. J. Larry Brown and Larry W. Beferman, "From New Deal to New Opportunity," *The American Prospect*, vol. 12, no. 3 (February 12, 2001), pp. 24–27; and Ray Boshara, "The \$6,000 Solution," *Atlantic Monthly*, vol. 291, no. 1 (January–February 2003), pp. 91–95.
28. Freeman, "Solving the New Inequality," pp. 16–17.
29. Bruce Ackerman and Anne Alstott, *The Stakeholder Society* (New Haven: Yale University Press, 1999). Ultimately, Ackerman and Alstott hope the stakeholder grant will become largely self-financing. At the end of the stakeholder's life, the \$80,000 would be returned to the government.
30. John E. Roemer, *A Future for Socialism* (Cambridge, Mass.: Harvard University Press, 1994); John E. Roemer, *Equal Shares: Making Market Socialism Work*, ed. Erik Olin Wright (New York: Verso Books, 1996). Roemer would also prohibit private investment in stock other than through the use of coupons, thus making this the only source of investment.
31. Leland Stauber, *A New Program for Democratic Socialism* (Carbondale, Ill.: Four Willows Press, 1987), p. 339.
32. J. E. Meade, *Liberty, Equality, and Efficiency* (New York: New York University Press, 1993), p. 199. Anthony B. Atkinson, "James Meade's Vision: Full Employment and Social Justice," *National Institute Economic Review*, no. 157 (July 1996), pp. 90–96.
33. Louis Kelso and Mortimer Adler, *The Capitalist Manifesto* (New York: Random House, 1958), pp. 241–251. For further detail on the design of the plan see Louis Kelso and Mortimer Adler, *The New Capitalists* (New York: Random House, 1961).
34. Stuart Speiser, *Supertock* (New York: Everest House Publishers, 1982), pp. 50–51 (emphasis in the original).
35. William Greider, *One World Ready or Not: The Manic Logic of Global Capitalism* (New York: Simon & Schuster, 1997), p. 418. See also his book *The Soul of Capitalism: Opening Paths to a Moral Economy* (New York: Simon & Schuster, 2003).

2. LIBERTY: MONEY, TIME, AND REAL FREEDOM OF CHOICE

1. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), pp. 2–3, 8, 15; Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944); and Henry C. Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948), p. 23.

2. Friedman, *Capitalism and Freedom*, p. 201.
3. The 1902 figure, based on statistics then available and not directly comparable to the modern 2002 figure, is nonetheless a serviceable approximation. Total government expenditures as a share of GDP were 30.6 percent in 2003: Office of Management and Budget, *Budget of the United States Government: Historical Tables, Fiscal Year 2005* (Washington, D.C.: Government Printing Office, 2004), www.gpoaccess.gov/usbudget/, table 15.3. For 1902 figures see U.S. Census Bureau, *Historical Statistics of the United States, Colonial Times to 1970, Bicentennial Edition* (Washington, D.C.: Government Printing Office, 1975), pp. 1, 120 (government expenditures), 224 (GDP). A more comprehensive measure of state and local government expenditure (including government enterprises and insurance trusts) brings total government expenditure to around 36–37 percent of GDP. U.S. Census Bureau State and Local Government Finances, www.census.gov/govs/www/estimate.html (accessed 10/21/03); for an explanation of the difference between the two measures, see Bureau of Economic Analysis National Income and Product Accounts Table 3.19, www.bea.gov/bea/dn/nipaweb/ (accessed 10/21/03). Milton Friedman estimates that "roughly 40% of our income . . . is spent by government—[its spent by] residents or businesses in response to government mandates and regulation." Milton Friedman, "What Every American Wants," *Wall Street Journal*, January 15, 2003, p. A10. Bureau of Economic Analysis National Income and Product Accounts Table 1.1, www.bea.gov/bea/dn/nipaweb/ (accessed 10/21/03). The percentages, of course, vary from year to year—in part depending on whether the economy is in boom or recession (thereby altering the denominator of the fraction of government's share). For the 8 percent estimate of regulatory costs see W. Mark Crain and Thomas D. Hopkins, "The Impact of Regulatory Costs on Small Firms," U.S. Small Business Administration, Washington, D.C., July 2001, www.sba.gov/ADVO/research/rs207tot.pdf (accessed 10/21/03). For a recent overview—and interpretation of—the literature on regulation, see Edward L. Glaeser and Andrei Shleifer, "The Rise of the Regulatory State," *Journal of Economic Literature*, vol. 41, no. 2 (June 2003), pp. 401–425.
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5. Regarding conservative dismay, see also Stuart M. Butler, "The Medicare Drug Bill: An Impending Disaster for All Americans," The Heritage Foundation, Web-Memo #293, June 13, 2003, www.heritage.org/Research/HealthCare/wm293.cfm (accessed 09/05/03). Another indicator of the unyielding reality is the number of people employed directly and indirectly (through contracts and grants) by government—a figure which increased from 11 million in October

1999 to 12.1 million in October 2002. See Paul C. Light, "Fact Sheet on the New True Size of Government," Center for Public Service, Brookings Institution, Washington, D.C., September 5, 2003, www.brookings.org/dydocroo/egsps/light20030905.pdf (accessed 09/10/03); and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005* (Washington, D.C.: Government Printing Office, 2004), www.gpoaccess.gov/usbudget/, table S.13.

6. For a statement of continuing conservative strategies aimed at starving government through fiscal crowding-out, see Grover Norquist, "Step-by-Step Tax Reform," *Washington Post*, June 9, 2003, p. A21. For a review of various failed attempts to curtail the general size of government, see Joseph White and Aaron Wildavsky, *The Deficit and the Public Interest: The Search for Responsible Budgeting in the 1980s* (Berkeley: University of California Press, 1989), pp. 78-81. The frustration of conservatives is captured in Fred Barnes and Grover Norquist, "The Politics of Less: A Debate on Big-Government Conservatism," *Policy Review*, no. 55 (Winter 1991), pp. 66-71. Similar frustrations are expressed in Murray Weidenbaum, "Progress in Federal Regulatory Policy, 1980-2000," *Contemporary Issues Series 100* (St. Louis: Center for the Study of American Business, 2000); and Stephen Moore, "Not-So-Radical Republicans," *Reason*, vol. 30, no. 3 (July 1998), pp. 24-32.

7. Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Mass.: Harvard University Press, 1965); James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962); James Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan* (Chicago: University of Chicago Press, 1975), pp. 147-165; Anthony Downs, *An Economic Theory of Democracy* (New York: Harper & Row, 1957); and George Stigler, "The Theory of Economic Regulation," in *The Politics of American Economic Policy Making*, 2nd ed., ed. Paul Petrez (Armonk, N.Y.: M. E. Sharpe, 1987), pp. 60-75.

8. Robert Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987).

9. David A. Stockman, *The Triumph of Politics: How the Reagan Revolution Failed* (New York: Harper & Row, 1986), p. 13; and Milton and Rose Friedman, *Two Lucky People: Memoirs* (Chicago: University of Chicago Press, 1998), p. 588.

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chies: Toward a New Synthesis of American Business History," *American Historical Review*, vol. 108, no. 2 (April 2003), pp. 404-433.

11. David C. Koren, *When Corporations Rule the World* (San Francisco: Berrett-Koehler, 2001), p. 210; and Noreena Hertz, *The Silent Takeover: Global Capitalism and the Death of Democracy* (London: William Heinemann, 2001), pp. 7, 33-34.

12. William E. Simon, *A Time for Truth* (New York: McGraw-Hill, 1978), p. 196.

13. Simons, *Economic Policy for a Free Society*, p. 34.

14. Hayek, *The Road to Serfdom*, pp. 194-195. It is often forgotten that Hayek saw the general movement in this direction as "planned mainly by the capitalist organizers of monopolies, and they are thus one of the main sources of this danger."

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18. Woodrow Wilson, *The New Freedom* (Englewood Cliffs, N.J.: Prentice-Hall, 1961), pp. 166-167; quoted in Michael J. Sandel, *Democracy's Discontent: America in Search of a Public Philosophy* (Cambridge, Mass.: Belknap Press, 1996), p. 216; and Louis Brandeis, *Business: A Profession* (New York: Augustus M. Kelley, 1971), p. 53.

19. Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), pp. 118-132.

20. Robert Nisbet, *Twilight of Authority* (New York: Oxford University Press, 1975), p. 195; and Robert Nisbet, *The Quest for Community: A Study in the Ethics of Order and Freedom* (San Francisco: Institute for Contemporary Studies Press, 1990), p. 237.

21. Nisbet, *The Quest for Community*, p. 238. Recent scholarship has challenged the theory that atomization led to the rise of Nazism: see, for example, Sheri Berman, "Civil Society and the Collapse of the Weimar Republic," *World Politics*, vol. 49, no. 3 (April 1997), pp. 401-429.

22. Peter Berger, *Facing Up to Modernity* (New York: Basic Books, 1977), pp. 137, 141 (emphasis in the original).

23. Peter F. Drucker, "The Job as Property Right," *Wall Street Journal*, March 4, 1980, p. 24.

24. The Humphrey-Hawkins Full Employment and Balanced Growth Act, as initially offered in 1975, would have established a Federal Job Guarantee office and the right of "all adult Americans able and willing to work" to opportunities for "useful paid employment at fair rates of compensation." It directed "all practical means" to the achievement of full employment (set at 3 percent unemployment). The bill that passed into law omitted or watered down these provisions, and simply set "as a national goal the fulfillment of the right to full

opportunities for useful paid employment at fair rates of compensation of all individuals able, willing, and seeking to work." See Equal Opportunity and Full Employment Act, S. 50, 94th Congress; and Full Employment and Balanced Growth Act, H.R. 50, 95th Congress. On the subject of tenure and academic freedom see Anthony O'Hear, "Academic Freedom and the University," in *Academic Freedom and Responsibility*, ed. Malcolm Tight (Philadelphia: Open University Press, 1988).

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26. Alan Ryan, "Please Fence Me In," *New York Review of Books*, vol. 46, no. 14 (September 23, 1999), pp. 68–72; and Alan Ryan, *Property* (Minneapolis: University of Minnesota Press, 1987), p. 87.
27. Stephen Holmes and Cass R. Sunstein, *The Cost of Rights: Why Liberty Depends on Taxes* (New York: W. W. Norton, 1999), pp. 14–15.
28. Walter Lippmann quoted in Benjamin Kline Hurnicutt, *Work Without End: Abandoning Shorter Hours for the Right to Work* (Philadelphia: Temple University Press, 1988), p. 262; John Maynard Keynes, "Economic Possibilities for Our Grandchildren," (1930) in John Maynard Keynes, *Essays in Persuasion* (New York: W. W. Norton, 1963), pp. 365, 367; and Herbert Marcuse, *Eros and Civilization* (Boston: Beacon Press, 1966), p. 152.
29. Joseph Zeisel, "The Workweek in American Industry, 1850–1956," *Monthly Labor Review*, vol. 81, no. 1 (January 1958), pp. 23–29; Juliet B. Schor, *The Overworked American: The Unexpected Decline of Leisure* (New York: Basic Books, 1991); Hurnicutt, *Work Without End*; and Jerome M. Segal, *Graceful Simplicity: Toward a Philosophy and Politics of Simple Living* (New York: Henry Holt, 1999).
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31. Segal, *Graceful Simplicity*, pp. 93–94.
32. Philippe Van Pariis, *Real Freedom for All: What (If Anything) Can Justify Capitalism?* (Oxford: Clarendon Press, 1995), p. 33 (emphasis in the original). Thomas Paine may have been the first to argue for a basic income grant in 1796: Thomas Paine, "Agrarian Justice," in *The Life and Major Writings of Thomas Paine*, ed. Philip S. Foner (Secaucus, N.J.: Citadel Press, 1974). Others arguing for a basic income, for various reasons, include: Bill Jordan, *The State: Authority and Autonomy* (Oxford: Basil Blackwell, 1995), pp. 266–269; Alan Cating, *Social Division* (London: Verso, 1991); James E. Meade, *Liberty, Equality, and Efficiency* (New York: New York University Press, 1993); Bruce Ackerman and Anne Alston, *The Stakeholder Society* (New Haven: Yale University Press, 1999); *Arguing for Basic Income*, ed. Philippe Van Pariis (London: Verso, 1992); and Robley E. George, *Socioeconomic Democracy: An Advanced Socioeconomic System* (Westport, Conn.: Praeger, 2002).
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Income Tax see Friedman, *Capitalism and Freedom*, p. 192. (The Earned Income Tax Credit differs from the Negative Income Tax in that it is available only to those who earn some income.)

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37. E. J. Dionne, *They Only Look Dead: Why Progressives Will Dominate the Next Political Era* (New York: Simon & Schuster, 1996), p. 291.
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3. DEMOCRACY: FROM THE GROUND UP

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2. Robert D. Putnam, *Boysling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000); and "Better Together," revised ed., Report of the Sagano Seminar (Cambridge, Mass.: Harvard University, 2002), www.bettertogether.org/report.php3 (accessed 04/04/03).
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6. THE PLURALIST COMMONWEALTH

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7. A DIRECT STAKE IN ECONOMIC LIFE: WORKER-OWNED FIRMS

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currently underway to improve and refine information on ESOP numbers, members, scale, etc. General information on specific companies is available in "The Largest 100 Majority Employee Owned Companies," *Employee Ownership Report*, vol. 12, no. 4 (July-August 2002), pp. 6-7 and "The Employee Ownership 100," *Business Ethics*, vol. 15 (September-October 2001), pp. 14-15. See also Joseph Blasi, Douglas Kruse, and Aaron Bernstein's *In the Company of Owners* (New York: Basic Books, 2003); the Capital Ownership Group's on-line library, cog.kent.edu/Title/Title.htm; and Jeff Gates, *The Ownership Solution: Toward a Shared Capitalism for the Twenty-first Century* (Reading, Mass.: Addison-Wesley, 1998).

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22. Louis Winnick, "Community Action for the 1990s," *Public Interest*, vol. 138 (Winter 2000), pp. 124–127.
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28. Thomas J. Billitteri, "Roberts Fund Puts Its Venture-Philanthropy Approach to the Test," *Chronicle of Philanthropy*, June 1, 2000, www.philanthropy.com/free/articles/v12/i6/16000801.htm (accessed 04/11/03); and REDF, "REDF Portfolio Organizations and Enterprises as of November 2002," www.redf.org/Portfolio/other/portfolioлист_1102.doc (accessed 06/06/03). REDF has recently reassessed its operations in order to target resources to the more productive ventures.
29. Ira Harkavy and Harmon Zuckerman, "Eds and Meds: Cities' Hidden Assets," Brookings Institution Survey Series (Washington, D.C.: Brookings Institution Center on Urban and Metropolitan Policy, August 1999), www.brookings.edu/dydbodocro/ess/urban/eds&meds.pdf (accessed 11/15/02). Roughly 60 percent of community hospitals are nonprofit, 15 percent for-profit, the rest government owned. American Hospital Association, "Fast Facts on U.S. Hospitals," www.hospitalconnect.com/aha/resource_center/fastfacts/fast_facts_US_hospitals.html (accessed 02/07/03).
30. See Derek Curtis Bok, *Universities in the Marketplace: The Commercialization of Higher Education* (Princeton: Princeton University Press, 2003).
31. For a discussion of concerns, see Jon Van Tili, *Growing Civil Society: From Non-profit Sector to Third Space* (Bloomington: Indiana University Press, 2000), part 3; and Bok, *Universities in the Marketplace*. Karen Froelich's studies, on the other hand, suggest that "there is little evidence of goal displacement, as commercial revenues seem less restricted than other revenue sources. On balance, it appears that commercial revenues enable greater flexibility and autonomy for nonprofit organizations than traditional forms of support." Karen A. Froelich, "Diversification of Revenue Strategies: Evolving Resource Dependence in Non-profit Organizations," *Non-profit and Voluntary Sector Quarterly*, vol. 28, no. 3 (September 1999), pp. 246–268. For further discussion, see Jerr Boschee, *The Social Enterprise Sourcebook* (Minneapolis: Northland Institute, 2001), available online at: www.northlandinst.org/sourcebook.cfm; the Partnership on Non-profit Ventures Web site, www.ventures.yale.edu; *Private Action and the Public Good*, ed. Walter W. Powell and Elisabeth S. Clemens (New Haven: Yale University Press, 1998); and *Annals of Public and Cooperative Economics*, in particular vols. 62 and 68. Support organizations have also begun to emerge as the sector has developed. The National Center for Social Entrepreneurs provides consulting and training programs to local and national nonprofits—including significant regional projects in Orlando, Seattle, Milwaukee, and Columbus, Ohio. Community Wealth Ventures, Inc., a for-profit consulting firm that also provides such services, is itself a model. It is a wholly owned subsidiary of Share Our Strength, a major antihunger group that raises over half its operating budget through revenues from business ventures and corporate partnerships. The National Center for Social Entrepreneurs, www.socialentrepreneurs.org; Community Wealth Ventures, Inc., www.communitywealth.com; and Share Our Strength, www.strength.org/learn/index.htm (accessed 11/18/02). Share Our Strength revenues figure from personal communication from Malia Miller (November 26, 2002) and "Share Our Strength and Subsidiary Consolidated Financial Statements," August 31, 2001.
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