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"Jerry Cohen's *Why not socialism?* Some thoughts"

by

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I. How equal can socialism be?

In his last book, *Why not socialism?* (Princeton UP, 2009), Jerry Cohen advocates a concept he calls socialist equality of opportunity (SEOp) as the correct principle of justice. According to this principle, inequalities that arise due to social disadvantage (e.g., growing up in a poor family) *and* that arise due to inborn disadvantage (genes) constitute injustice:

> Socialist equality of opportunity seeks to correct for <u>all</u> unchosen disadvantages, disadvantages, that is, for which the agent cannot herself reasonably be held responsible, whether they be disadvantages that reflect social misfortune or disadvantages that reflect natural misfortune. When socialist equality of opportunity prevails, differences of outcome reflect nothing but differences of taste and choice, not differences in natural and social capacities and powers.

Jerry goes on to say that there are three types of inequality that are consistent with SEOp, but considers only one of them to be disturbing, the inequality due to option luck. (Equally placed people may both be exposed to the same lottery, which one wins and the other loses – for example, the job-market lottery. They thus end up with very different outcomes, although due entirely to randomness.) Inequalities such as these may be substantial, and they are unchosen, but not compensable, Cohen says, under SEOp. They are disturbing because they put pressure on a second important value, community. It is difficult to maintain community in a society where some people fare significantly better than others – especially when these differences are unchosen, as they are in the cited case.

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[1] I met Jerry Cohen, through correspondence in 1980, when I was reading his *Karl Marx's Theory of History,* and while I was writing *A General Theory of Exploitation and Class*. We had an immediate affinity through 'analytical Marxism.' Jerry became my informal tutor in political philosophy from that date on. I owe to him the shift in my interests towards philosophical ones; I have been immensely influenced by his work on Marxism, self-ownership, socialism, and egalitarianism. Alas, he is no longer able to append to this paper the penned marginalia, which for so many years have decorated drafts that I have sent him, and have rescued me from unclear thinking and expression.

I will argue that there is another kind of inequality that I believe is consistent with SEOp, which is perhaps more insidious than the ones Jerry mentions. My argument will concern the transfer of resources and traits of various kinds within families, from parents to children. Parents transmit to children at the least following: genes, wealth and material resources, knowledge, aspirations, values or preferences, and they use, to greater or lesser effect, their social connections to help their children. The transmission of these 'resources' is more or less effective depending on the love and motivation of the parents. Let me distinguish between *aspirations* and *values/preferences*: aspirations concern the instilling by parents in their children beliefs about how successful they would be, if the children choose various education-occupation paths. These aspirations may be false or correct. Preferences and values concern the way to live one's life, which may, importantly, include occupational preferences.

Liberal equality of opportunity seeks to compensate children for disadvantage with respect to parental social connections, wealth, and knowledge. To this, *socialist* equality of opportunity appends genes (what Jerry calls natural capacities and powers). I think the compensation for 'disadvantageous aspirations' instilled by parents is surely, as well, covered by SEOp. It is the issue of how to treat the transmission of preferences and values that I find tricky.

For Ronald Dworkin, there is no problem: if a child is instilled with values and preferences by her parents, with which she comes to identify, then, although those preferences were unchosen, the child becomes responsible for them, and hence for the choices which they direct her to make. But for me – and I think for Jerry—this is not right. Indeed Jerry has argued, against Dworkin, that if a child is inculcated with expensive tastes by his parents, he should not be held responsible for them. I have argued that if a child takes on preferences – whether autonomously or through cultural inheritance—through a process of cognitive dissonance (it is wise not to desire what you think you cannot get), as a result of being raised in an environment of disadvantage, he should not be held responsible for them.

But there are many forms of preference transmission that I consider to be innocuous, in the sense that the preferences reflect parental values that are not induced by penury or cognitive dissonance, and yet these preferences may have important effects on the economic success and occupational choice of the child. Teachers may instill in their children a desire to be teachers, and bankers may instill in their children a desire to make lots of money. I think the successful transmission of these preferences is legitimate – *not* because the child should become responsible for his preferences when he comes to identify with them (à la Dworkin), but because of the prerogatives of parenting. Having children is of value to parents in large part because parenting achieves for them a kind of immortality: it is through one's children that one may pass on one's values and ideals.

Now I do not say, *carte blanche,* that all such preference transmission should be protected: we wish to undo racist and sexist preferences that children may learn from their parents. Some ideals and values, that is to say, are harmful in very direct way to others. But there is a great variety of preferences whose transmission should be protected, and this will imply substantially different income and occupational choices by children. The socialist society, which does not seek to compensate people for these inherited preferences, may face a quite massive tension with community.

Here are several examples. If a coal miner passes on to his son the desire to be a coal miner because he thinks there are no other realistic possibilities for the child, that counts as a false aspiration and should be countered by the schools. But if he passes on that desire because he views coal-mining culture as the best culture, then it is a valid transmission. The relevant fact, here, is whether families that have remained coal-mining families for generations have done so because of stunted opportunities, or because of the love of coal-mining culture. I don't know what the fact of the matter is, but I would conjecture that the love of coal-mining culture is not insignificant. A second example, of considerably more importance, is Roma culture. I do not think one can argue that Roma culture can be attributed entirely to cognitive dissonance or to discrimination: what is relevant is that many Roma parents today embrace the culture (even though its origins may lie in discrimination), and desire to pass it on to their children. A third example is of societies with native, aboriginal populations, who have very different values and preferences from the majority 'moderns.' It is wrong to interfere with the intergenerational transmission of preferences in this case, although there may be substantial economic inequality induced by them.

Another way of illustrating my point is with regard to the commonly used statistical concept of an intergenerational mobility matrix. This matrix has *n* rows and *n* columns; each row is identified with a group of parents of a particular socio-economic status (SES), and each column is identified with a group of children who acquire a given SES when they become adults. The $(i,j)^{th}$ element of this matrix is the fraction of children from parental SES group *i* who become, as adults, members of SES group *j*. A traditional notion of equality of opportunity is that *the rows of the intergenerational mobility matrix be identical.* This means that the lottery for SES that children face is independent of the SES of their parents: in other words, society will havev succeeded in compensating children for differential family backgrounds. There is no country in the world which meets this desideratum of equal rows, although the Nordic countries come much closer than any other.

Now my claim is that equality of the rows of the intergenerational mobility matrix is neither necessary nor sufficient for justice. It is not *sufficient* because the rows could be equal, yet bad luck in the draw from the human gene pool may be uncompensated. It could be the case that 20% of children from each parental SES occupy the lowest SES as adults, and that is because they are precisely the children who are genetically disadvantaged. In other words, the rows of the matrix could be identical, but the distribution of child SES might be perfectly correlated with native ability. This contradicts SEOp. But equality of the rows is not *necessary* because it may be that parents of a particular SES occupy that SES because they have preferences and values for the occupations associated with that SES, and they pass these successfully to their children. This would mean that, even if all forms of disadvantage contemplated by SEOp are compensated for fully, the rows of the intergenerational mobility matrix will not be equal. There will be a disproportionate fraction of coal-miners' children who become coal miners and a disproportionate number of academic children who become professors.

One can read the quotation from Cohen at the beginning of this essay as saying that SEOp permits the kind of inequality I have been discussing. If the transmission of coal-mining or Roma preferences is not a disadvantage, but innocent, then SEOp, according to that quotation, does not seek to compensate for it. My argument is not with the definition of SEOp: I am, rather, adding to list of Cohen-permissible inequalities, an inequality that may substantially interfere with community. And that's because I don't think a society which contains coal-mining dynasties, professorial dynasties, and Roma dynasties, can be one in which communitarian sentiments are great.

I hasten to add that I do not believe the critical issue is necessarily *income* inequality. According to SEOp, society has no ethical mandate to redress the income differences that arise from the differential transmission of parental values. But even if the social ethos of this society is more egalitarian than SEOp requires, and market incomes are redistributed through taxation, it will nevertheless be the case that a division of labor in this society will be maintained across generations, within dynasties. The redistribution of market incomes through taxation will always be in the same direction (assuming that the supplies and demands for various occupations are relatively stable). I find it difficult to imagine that social classes will not be of significance in this society.

One response to the point I have raised is to advocate the dissolution of the family, and the collective raising of children. Apart from the whether such a system would possess the necessary ingredient of love for children that parents have, it should be opposed for the reason mentioned earlier: that a great value to raising children is to pass on, through them, one's values to the future. Adults count too.

II. The design problem

In the same book, Jerry writes:

> In my view, the principal problem that faces the socialist ideal is that we do not know how to design the machinery that would make it run. Our problem is not, primarily, human selfishness, but our lack of a suitable organizational technology: our problem is a problem of <u>design</u>. It may be an <u>insoluble</u> design problem, and it is a design problem that is undoubtedly exacerbated by our selfish propensities, but a design problem, so I think, is what we've got.

In the preamble to this statement, Jerry writes that there are two putative problems with achieving socialist equality: that human nature may be insufficiently generous to permit it, and that, even if human nature *is* sufficiently generous, there nevertheless exists a design problem, as explained in the quote. A market economy with private ownership can deliver the goods, if very unequally, based upon the human motivations of greed and fear. But if greed has been overcome, what institutions can be used to achieve socialist equality?

While I agree with Jerry, as I've said, that SEOp may be consistent with so much equality as to endanger community, I am less worried by the design problem than he. I do believe that markets will be necessary in any complex economy, but I do not believe that markets either will induce greed or will require greed to operate properly. And I believe that a proper welfare state can take the fear out of having to succeed in the market.

My argument exploits another important idea of Jerry's, the importance of social ethos for achieving a good society. Jerry has argued, for the last decade at least, that a society cannot achieve egalitarian goals without an egalitarian social ethos. This might seem obvious, but it is quite different from a putative lesson of modern economic theory. An important part of that theory, called mechanism design, is concerned with showing that desirable social outcomes can be achieved by designing rules of the social game that will lead even selfish people to make choices, in the game's equilibrium, which generate a good social outcome. The best known (theoretical) example is the market, which achieves the good social outcome of Pareto efficiency, even though individual actors know almost nothing about the economy, and are selfish. The theory of mechanism design shows how one can implement almost any 'social welfare function' with a sufficiently clever set of rules -- call it the social game. In theory, one probably could implement socialism, in at least its distributive aspects, with an appropriate mechanism.

I believe that there are two great fallacies in this approach. First, who is going to choose the social game? If it is chosen democratically, why will people vote for a social game that would implement an egalitarian outcome if they are not egalitarians? Second, history teaches us that people, if they are selfish and greedy, figure out how to work around the rules of the game, to undermine its intention. The present financial crisis is only the latest example in a multitude of such examples.

However, if people *do* have a socialist ethos, then I believe markets with an ample welfare state can realize a reasonable approximation of socialist equality. To make the argument, I need to show that markets can work *even if* there is no greed and no fear – for the first would be absent by the premise of socialist ethos, and the second would be absent by the stipulation of an ample welfare state.

My argument is based upon the fact that, today, under capitalism, markets serve two functions: they *coordinate economic decisions*, and they *provide incentives.* The main example of coordination is that, if prices are in equilibrium, then the supplies and demands of every traded commodity (including labor) are equal. There are no queues of people lining up for goods or jobs, and there are no new housing developments lacking buyers. The main normative theorem about market coordination is the first theorem of welfare economics, which states that at a market equilibrium, the allocation of goods and labor is Pareto efficient, *and this is achieved with entirely decentralized information*. Each market agent needs only to know his own preferences or, if a firm, its own technology. No central planner need coordinate – a planner who would have to know impossible amounts of information. Of course we know that Pareto efficiency does not imply equality; it is nevertheless a highly desirable property of an economic mechanism. Thus, the coordination view of markets emphasizes the *decentralizability of Pareto efficiency.*

The second feature of markets is to provide people with material incentives: to become trained, to innovate, and so on—*in order to become rich.* In the last forty years, there has been a gradual but important shift in the view of markets among economists, and as well, among the general public (because of the way economists preach). Until about 1970, markets were viewed *primarily* as a coordination device: Friedrich Hayek, for one, a pre-eminent laissez-faire economist, did not, perhaps surprisingly, champion markets for their incentive properties, but rather for their ability to operate with decentralized information. But in 1970, the 'principal-agent model' was proposed: here the focus was upon the problem a principal faces in inducing her agent to do her bidding. Her problem is to design a contract with the agent that will induce him to do what the principal desires, even if the principal can monitor the agent only imperfectly. Contract theory developed rapidly after 1970, as a special case of game theory, and the shift from viewing an economy as a grand market *coordinating* economic activities, to one of a complex set of *incentive-compatible* contracts between small groups of principals and agents, was in motion.

Why did incentives replace coordination as the main idea in microeconomic theory? This is a question of intellectual history that I am not prepared to answer here. Surely, the experience of the Soviet economy was important. Because of the lack of markets there were severe failures in the Soviet economy: some viewed these primarily as failures of coordination (factory managers, well-intentioned, having to barter for inputs because markets did not exist on which to purchase them, consumers having to queue for goods, the existence ofexcess supplies in one part of the country and excess demands for the same commodity in another), and some primarily as failures of incentive (exemplified by the Soviet workers' joke, "They pretend to pay us, we pretend to work.") A Soviet economic history has still not been written which attempts to assign the economy's failures to failures of coordination and failures of incentive, both of which are due to not having markets. Such a history could provide valuable evidence concerning the relative importance of markets in performing these two functions.

My contention is that if the incentive feature of markets disappears – because people are no longer concerned with becoming rich or even earning enough to survive— the coordination function is still massively important. It is not unreasonable to suppose that with an ample welfare state, fear will largely disappear; and if incomes are largely equalized through taxation, the *material* incentive for becoming trained and innovating will largely disappear. But it is not unreasonable to suppose that people will continue to have non-material incentives to become trained and to innovate: they will desire to feel useful, to develop their capacities, to feel respected by their co-workers, to get out of the house, to feel part of society. (Even though doctors earned less than steel workers in the Soviet Union, but required much longer education, there was no doctor shortage; nor has there been in Cuba, which is said to have the best doctors in Latin America.) Joseph Schumpeter, the great pro-capitalist economist, believed that inventors and entrepreneurs innovated for the love of the game, not to make money[2].

How will prices clear labor markets if workers do not make choices on grounds of income maximization? In a society with a universal socialist ethos, occupational preferences are completely independent of wages: workers choose jobs based *entirely* on preferences for the nature of the occupation, for social reasons, and the amount of

[2] McCraw, xx.

education required to perform it. The supply of workers for occupations is entirely inelastic with respect to the wage structure. I assume, however, that firms still attempt to profit maximize. Then wages will equilibrate (in a market economy) so that profit-maximizing firms demand exactly the amounts of the various kinds of labor which are on offer! Prices of goods will still be determined by the supplies of goods by firms and the demands of goods by consumers (with their varied consumer preferences). The only 'greed' that need be involved here is that of the individuals who profit –maximize in firms. But I believe that we have many examples of successful profit-maximizing firms that are not privately owned in our current world, and I do not think instilling in managers the instruction to profit-maximize in a population with socialist ethos should be a difficult problem.

Now consider the more general situation, that workers are only partially motivated by the non-wage aspects of occupations, but care also about income. This society is not one with a universal socialist ethos. The market will still equilibrate labor markets, but it will not be possible to re-distribute income as thoroughly as in the first case. However, this more general situation is not one where the socialist ethos is universal.

Now one may still object: is the premise – that of a society of people with socialist ethos – consistent with the market mechanism? Will the market induce greed? Here, I am an optimist. There are many people today, in our unequal, greedy capitalist society, who have a solidaristic ethos. I do not think, as Vladimir Lenin and Fidel Castro did, that markets necessarily generate bourgeois mentality. Whether or not they do depends upon history, and also perhaps on the level of economic development of the society.

Jerry Cohen's view that markets *necessarily* depend, for their proper operation, on greed and fear, is I believe, incorrect.

III. Getting there

Jerry was not concerned in his last book with how we might get to socialism. He thought that convincing people that the socialist goal is desirable is a necessary condition for getting there, and it is this question he addressed. Being a citizen of the most reactionary advanced capitalist country, I am certainly concerned with the question of dynamics: can we get there?

Based upon twentieth-century history, I think that the events that induce solidaristic thinking among citizens, which eventuate in more social insurance and less inequality, are depressions and major wars. The US Social Security Act was passed in 1935; the rapid growth of the European welfare states occurred after the second world war. I believe the relationship is as follows. Depressions and wars wipe out a great deal of wealth: they create a large class of people who are facing the same desperate circumstances. When everyone faces the same risks, it is easy to reach agreement on social insurance, even if everyone is self-interested. When risks are heterogeneous, it is much harder to reach political agreement on social insurance. In a word, if everyone (or a large majority) faces (face) the same probability of bad luck, then there will be universal agreement on the rate of taxation to finance the insurance to support those who are hit by bad luck. But if people face very different probabilities of bad luck (heterogeneous risk), it is impossible to design a simple universal insurance policy which is in everybody's personal interest: some groups will end up subsidizing other groups. I believe that only depressions and major wars homogenize the risks of people sufficiently to create a mass demand for social insurance of the simple kind which is feasible to implement.

Once that social insurance is enacted, people, I believe, come to like it. Very few Americans, even conservative ones, advocate the dissolution of Social Security or Medicare, and I believe that in ten years, the same attitude will hold with respect to the universal health insurance legislation that has recently been passed, weak as it is compared to its European counterparts.

So in my view, catastrophes that homogenize risks for a large mass of the polity induce social insurance, even if each voter is (at least initially) self-interested. The success of social insurance induces a change of values, towards more solidaristic ones. This is my materialist conjecture of the law of motion of social ethos. Of course, I hope that left-wing philosophy and economics can have an effect on the public consciousness. Perhaps Europe is sufficiently far along on the road to socialism that its nations can approach that goal without a major conflagration. But I fear that, for the United States, an economic catastrophe a good deal more severe than the present crisis will be necessary to change social values. And without that change, we'll never get there.