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A ‘Real utopia’: Would Mill disagree?¹

Abstract: This paper relates Bowles and Gintis’s egalitarian proposal for a redistribution of assets from capitalists to workers to Mill’s arguments for cooperatives and market socialism. The existing parallel between these two proposals, which stem from seemingly antagonistic traditions of thought, separated by almost one hundred and fifty years of theoretical disputes, practical drawbacks of socialist efforts, and unanticipated turns in the development of capitalism, is evidence of the resilience of an approach to social improvement of which Mill is one of the leading figures. Our main point is that a comparative reading of these two contributions not only illuminates the common themes covered and highlights problems and difficulties present in both, but suggests avenues of research which take their complementary strengths on board.

1. Introduction

The ‘real utopias’ project is perhaps one of the most important recent efforts to seriously rethink the possibilities of radical departures from capitalism in a historical epoch marked by the apparent exhaustion of anti-capitalist social imaginaries (Wright, 1998a). Its explicit purpose is to nurture “utopian ideals that are grounded in the real potentials of humanity, utopian destinations that have pragmatically accessible waystations (...) in a world of imperfect conditions for social change” (Wright, 1998a: ix). In this project, “realism” has been taken as implying that markets, reasonably defined, must be retained, when thinking about possible alternatives to real existing capitalism. Therefore, articulating a radical egalitarian discourse within a more or less restructured market economy is considered to be the challenge that must be addressed by critical social theorists who want to advance “real utopias”.

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In one of the contributions to the “real utopias” project, if not in its general thrust, we find striking commonalities with 19th century liberal ideas and principles as expounded by John Stuart Mill. Bowles and Gintis’s (1998) stand may be read, or so we argue, as a contemporary restatement of Mill’s liberal utopia. In fact, Mill was one of the first to articulate a vision of a socio-economic order which combined democratic association in production and markets in exchange, with the aim of obtaining the emancipation of workers within a decentralized economy. He even admitted and aspired to a futurity that would lead to a type of socialism, which he conceived not in opposition to but as an extension of his liberal premises to the sphere of industrial relations.

The existing parallel between these two proposals, which stem from seemingly antagonistic traditions of thought, separated by almost one hundred and fifty years of theoretical disputes, practical drawbacks of socialist efforts, and unanticipated turns in the development of capitalism, is evidence of the resilience of an approach to social improvement of which Mill is one of the leading figures. Our main point is that a comparative reading of these two contributions – Mill’s and Bowles and Gintis’s – not only illuminates the common themes covered and highlights problems and difficulties present in both, but suggests avenues of research which take their complementary strengths on board. We also argue that, despite their remarkable similarities, there are aspects of one contribution which are somehow neglected in the other. Among those aspects, one of outstanding contemporary relevance is the moral economy perspective that explicitly frames the scrutiny of socialism developed by Mill. By this we mean, following Sayer (2004), a perspective that takes into account that economic activities are partially defined by the moral sentiments and social norms upheld by individuals, while these are in turn influenced by the institutional arrangements that structure economic relations. As acknowledged by Mill, tackling the issue of the impact of human-made institutions on the type of social values that will be nurtured is non-optional, at least when assessing the possible advantages of alternative socio-economic arrangements. This perspective crucially assumes that the aim and meaning of the improvement of society is broader than the search for efficient means of delivering the goods, also involving the prospects for human flourishing that it might entail. In contrast, the argument forged by Bowles and Gintis (1998), although recognizing the importance of moral issues when discussing the transformation of prevailing economic arrangements, heavily relies on the seemingly neutral argument of efficiency.

This article starts by presenting Bowles and Gintis's proposal for a redistribution of assets within a decentralized market economy in which communitarian forms of provision would be enhanced. It then evokes Mill's views on the "futurity" of the "system of private property" and of the "labouring classes". This is then followed by a systematic assessment of some commonalities and differences between both approaches which leads to a brief assessment of some common difficulties. Final remarks close the paper.

2. Bowles and Gintis's contemporary "real utopia"

A central tenet of Bowles and Gintis's joint work has been to point out the feebleness of a liberal discourse that celebrates a public sphere where individual political rights are upheld, and a supposedly private sphere – constituted by the social relations of production within firms – where these rights would no longer apply. Bowles and Gintis's (1986) project was to develop an analysis that, by showing that the economy was part of the public sphere, would be capable of arguing for the extension of the political discourse of autonomy and self-government, therefore presenting a "post-liberal" case for the control of the firm by workers.

In their 1998 contribution to the real utopias project, Bowles and Gintis explore the consequences of the unavoidable incompleteness and costly-enforcement nature of contracts between parties with competing interests and power asymmetries – "contested exchange" – that are deemed to characterize the most important economic interactions in capitalist economies. By extending the informational and behavioural assumptions of the principal-agent model of neoclassical economics to encompass the issue of power relations, they show that certain economic structures – like the hierarchical capitalist firm – tend to involve economic costs that are detrimental in terms of efficiency (Bowles and Gintis, 1993, 1998). These are the costs of enforcing the discipline and obedience of workers, in a context of endemic conflict between agents and principals.

In efficiency terms, the democratic firm – where the shares are owned by the workers themselves – would be superior, when compared with its capitalist counterpart, since, if workers were the owners, the locus of control and command would reside in them, and this would decrease the costs of control and monitoring associated with the principal-agent relations within the capitalist firm. Equality and efficiency would thereby be mutually reinforcing within an institutionally redesigned market economy composed of worker-owned firms.

The bulk of Bowles and Gintis's (1998) arguments for questioning the efficiency of the capitalist firm and for the advantage of a program of asset redistribution is based on the mainstream principal-agent account. If contracts could be made complete, then incentive-compatible devices, i.e. the deliberate use of monetary rewards and penalties by principals to influence the agents' cost and benefit calculations, would direct the self-interested actions of the workers to the ends desired by the principals. It is because contracts are unavoidably incomplete at low cost that they wittingly twist the standard implications of this model to argue that the best thing to do is simply to reduce, to the extent possible, the structural roots of the distinction between principal and agent. This is clear when they state that

The generic problem here is that behaviors critical to high levels of productivity – hard work, maintenance of productive equipment, risk-taking and the like – are difficult to monitor and hence cannot be fully specified in any contract enforceable at low cost. As a result, key economic actors, workers and managers, for example, cannot capture the productivity effects of their actions, as they would if, for instance, they were the residual claimants on the resulting income stream and asset value. The result of these incentive problems is that a highly concentrated distribution of capital is often inefficient. (Bowles and Gintis, 1998: 7)

The authors' real utopia relies, almost exclusively, on the potential efficiency gains accruing from an egalitarian redistribution of assets.² Their argument is mostly made in terms of the advantages of a redesign of incentives which presupposes an adherence to the standard view on preferences and behaviour. Nevertheless, Bowles and Gintis's advocacy of worker-owned firms only makes sense if the complexity of individual preferences and values, together with their plasticity, is acknowledged. In fact, if workers were assumed to be opportunistic rational self-seekers, then the democratic firm would collapse in face of collective action problems.

This problem is solved in Bowles and Gintis's proposal by evoking the context dependency of preferences. Context dependency in their analyses translates into the assumption of rational self-seeking behaviour in the hierarchical context of the capitalist firm, and on the reliance on "social norms and psychological dispositions extending beyond the selfish motives of *homo economicus*" (Bowles and Gintis, 2000: 1412) in the context of the worker-owned firm.

² It is worth noting that although the argument is always made on grounds of efficiency, the concept itself, as Levine (1998) has argued, is used rather vaguely, oscillating from viewing it as a synonym of productivity enhancement to the apparently more theoretical precise concept of Pareto-optimality.

Those “norms and psychological dispositions” are thus instrumental to explain how the association of residual claimants in a community can overcome the collective action problems it will face. Communities, as later elaborated in Bowles and Gintis (2005), are: (a) the *locus* of frequent non-anonymous interactions that favour the emergence of social norms which facilitate the coordination of individual actions necessary to achieve social goals; (b) the stage for communication and persuasion allowing for a clear identification of goals and the expression of intentions; (c) a *forum* where the direct participation of members on an equal footing is possible; (d) a space where monitoring is easy. All those features, as documented by abundant empirical research evoked by the authors, contribute to nurture the cooperative dispositions of individuals, giving rise to reciprocal patterns of interaction which involve not only the disposition to contribute to common goals but to uphold, even at a cost, the shared norms that sustain cooperation.

Bowles and Gintis’s worker-owned firms would compete in the market. In their view, markets would provide a neutral, “decentralized and relatively incorruptible mechanism that punishes the inept and rewards high performers” (Bowles and Gintis, 1998: 24). Markets are therefore retained, and even expanded, as essential institutions that might generate the competitive and emulative pressures, and the pecuniary incentives that individuals, whatever their behavioral make-up, need in order to perform efficiently.

Nevertheless, they acknowledge that markets may also “foster a culture of self-interest, invidious distinction, individualism and materialism” which conflicts with solidarity (Bowles and Gintis 1998: 47). They, therefore, posit the need for a plural governance system, composed of communities, markets and the state. Such a complementary system of governance would foster diversified patterns of interaction so that “the social pressures individuals face in competitive market relations” are “complemented by the potentially cooperative relations they face within communities” (Bowles and Gintis, 1998: 55). Communities, including worker-owned firms, are thus viewed as governance structures that can functionally be articulated with the markets and the state. Communities have not only the capacity to overcome certain market and state failures, but also, and crucially, the capacity to foster what Bowles (1998) has called “nice traits”, i.e. altruism, trust, reciprocity, commitment or a sense of duty to oneself and to others.

Finally, Bowles and Gintis approach to the role of the state, conceived as a general rule-enforcer, seems to fit squarely within the liberal tradition. They argue that “except in areas such as insurance, where the unique advantages of state supply of services are compelling, the role of the state should be in financing and regulating the delivery of services,

not the provisioning of the services itself' (Bowles and Gintis, 1998: 12). The state appears as an entity endowed with the power to impose solutions, by fiat or through a deliberate change in the prices generated by the market, so as to solve certain market and community failures and thereby promote efficient modes of coordination:

Services that governments can perform well that communities and markets cannot include the definition, assignment, and enforcement of property rights, the provision of public goods, the regulation of environmental and other external or 'spillover' effects, the regulation of natural monopolies, the provision of some forms of insurance, and macroeconomic regulation. (Bowles and Gintis, 1998: 12)

Through the redistribution of assets, to be achieved by a host of methods, from the provision of subsidized credit to credit-constrained workers to the provision of insurance to surpass their risk aversion, the state also functionally appears as part of the answer to the puzzling question of "what then prevents the spontaneous emergence of democratic forms of work organization?" (Bowles and Gintis, 1986: 83). In order to solve this puzzle, Bowles and Gintis (1986, 1993) rely, once again, on the neoclassical paradigm of asymmetric information to argue that the possession of wealth entails a path-dependent, easier and less expensive access to credit. This has partially to do with the fact that access to credit always involves the possession of collateral as a means to reduce the incentive incompatibility in credit markets unavoidably plagued by problems of asymmetric information and credit-rationing (Bowles and Gintis, 1993). The lack of collateral due to the lack of wealth by the workers entails a crucial disadvantage, therefore setting a vicious circle which blocks the formation of democratic firms: "an asset-poor worker cannot borrow large sums at the going rate of interest, so cannot purchase the firm's capital stock" (Bowles and Gintis, 1998: 8).

In fact, this argument is part of their most important thesis: the economy is permeated by differential power relations essentially due to the inequalities in the access to wealth. Bowles and Gintis (1998) expand this thesis by arguing that a more egalitarian distribution of the property rights over a wide range of assets, well beyond the property of firms, can enormously increase efficiency, by aligning the "control of non-contractible actions more closely with the residual claimancy of the results of these actions" (Bowles and Gintis, 1998: 46). The implementation of their realist utopia involves therefore a state-sponsored redistribution of assets to generate a more egalitarian society of private property owners where "control rights" and "residual claimancy status" are in the same hands. One of the most important roles of the state in this proposal is therefore to assure, through an egalitarian redefinition and reassignment

of private property rights, the deliberate implementation of the authors' major objective: the achievement, to the extent possible, of the conflation of the principal and the agent into one single actor. This would create an adequate incentive structure that reconciles a version of egalitarianism with the objective of increasing the overall efficiency of the economy.

Given the thrust of their theoretical argument, Bowles and Gintis may be interpreted as proposing a radical reform of capitalism, with a profound change in property rights, as a means to correct market failures. Efficient and, in the end, mutually advantageous transfers of assets are blocked by the existence, among other things, of asymmetries of information which impede the assets to be captured, through voluntary market exchanges, by those who are better positioned to make the best use of them. State intervention would therefore be called for. By redistributing the capital assets the state would sustain the market and allow it to flourish. In the process individuals would be emancipated from the relations of dependence and given the opportunity to be part of a diversified set of communities.

3. Mill's liberal utopia

John Stuart Mill's political economy is often equated with an unqualified advocacy of capitalism. Nevertheless, the following quotation is sufficient to disparage such a simplistic and uninformed interpretation, revealing instead Mill (2005: 227) as a critic of the injustices of real existing nineteenth-century capitalism and an upholder of the aspirations of the 'subordinate classes':

No longer enslaved or made dependent by force of law, the great majority are so by force of poverty; they are still chained to a place, to an occupation, and to conformity with the will of an employer, and debarred by the accident of birth both from the enjoyments, and from the mental and moral advantages, which others inherit without exertion and independently of desert. That this is an evil equal to almost any of those against which mankind have hitherto struggled, the poor are not wrong in believing. Is it a necessary evil?

Mill's answer to the above question was negative. His sensitivity to the unjustifiable inequalities of the capitalist system of his time went hand in hand with the belief that most of the suffering of the working poor could be avoided, and with an active intellectual contribution to determine the ways and means which would lead to the desired social improvement.³

³ See, among others, Claeys (1987), Kurer (1992), Stafford (1998), Baum (2003) and Meadaris (2005) for convincing arguments along this line. See also Hollander (1985) for an overview.

In an epoch haunted by spectres, Mill, the liberal, not only endorsed the protest of the working people but appealed for an impartial appraisal of the different socialist and communist proposals being advanced in his time. In the 1871 edition of his *Principles of Political Economy*, the last revised by the author, this assessment led him to the conclusion that if communism or socialism, at “their best”, were to be compared to “the present state of society, with all its suffering and injustices (...), all the difficulties, great or small, of communism [and socialism] would be just as dust in the balance”. However, he immediately added, the comparison should be made not with the “regime of private property (...) as it is”, but with that regime as “it might be made” (Mill, 1987: 208). Mill’s point was that “the principle of private property”, that is, the principle of desert which guarantees to individuals “the fruits of their own labour and abstinence” (Mill, 1987: 209), had never been given a “fair trial” (Mill, 1987: 208). Such a trial, he believed, should be given before the “comparative advantage” of any of the systems might be determined.

Trying the “principle of private property” would amount to a reform of property “as it is”. Since in Mill’s view the principle of desert, in which the legitimacy of property rests, would not apply to inheritance and bequest, or to land, this reform would limit the property one could receive in legacy, and expropriate (with compensation) the landowners who would not improve their estates (Miller, 2005).⁴

Remarkable, however, is that, for Mill, some socialist proposals should also be tried in parallel. The trial of socialism that Mill had in mind did not mean “taking possession of the whole land and capital of the country, and beginning at once to administer it on the public account” (Mill, 2005: 273). This in his view could only “end in disappointment” (Mill, 2005: 272). Instead, what he argued for was an experiment with different forms of association in production to be initiated by the most conscientious elements of the working classes, which might (or might not) then progressively spread to encompass larger and larger sectors of the economy.

Mill neither took “the condition of labouring for wages as [an] ultimate state” or “a kind of natural law” (Mill, 1987: 760-761) nor spotted any contradiction between his liberal principles and the joint ownership of the means of production by associated workers. Quite the opposite, Mill’s advocacy of association was a development and extension of his liberal

⁴ According to Medearis (2005), Mill’s position on the private property of the means of production evolved from a principled defence of this institution based on a Lockean-inspired labour justification to a more flexible and instrumental utilitarian position whereby the right to private property is dependent on considerations of common good.

premises to the relations of production within the capitalist firm. Although he viewed the employment contract as a legitimate transaction, potentially advantageous to both parties, he clearly signalled a tension between a concept of personal liberty as absence of coercion and the effective subordination intrinsic to the employment relation. Consequently, he thought that the workers should, and most probably would, get rid of the subordination implicit in the condition of working for wages.

While the independence of labourers could be achieved in a system of independent proprietor producers, Mill made clear that this was not the system which he had in view. For the workers and for society, he thought, the alternative was no longer one “of labouring either each for himself alone, or for a master” (Mill, 1987: 763). Both from the economic and the “still more important moral aspect of the question” (Mill, 1987: 762-762), association provided a third, superior, option. From the economic point of view he argued in favour of association that “labour is unquestionably more productive on the system of large industrial enterprises” (Mill, 1987: 762). From the moral aspect he famously asserted:

If public spirit, generous sentiments, or true justice and equality are desired, association, not isolation of interests, is the school where these excellences are nurtured. The aim of improvement should be not solely to place human beings in a condition in which they will be able to do without one another but to enable them to work with or for one another in relations not involving dependence. (Mill, 1987: 763)

Association in cooperatives thus emerged, like in Bowles and Gintis’s, as the alternative which would overcome the contradiction between the venerable liberal principles of independence, self-government and security, and a work relation “involving dependence”. Workers’ cooperatives were simply seen by him as the expansion of the best principles of the democratic polity to industry (Claeys, 1987). They would be a consequence of the access of the working class to the democratic realm of politics, and a means towards a genuine enactment of liberal aspirations (Claeys, 1987; Medearis, 2005). It is in this sense that Medearis (2005: 141) also argues that “the most important of Mill’s principled reasons for supporting democracy – especially the promotion of individuality and the enjoyment of freedom – were the same as his most important reasons for supporting socialism”.

Mill’s views on workers cooperatives and other communitarian forms of organization was always dependent on an evaluation of their capacity to solve two main problems: (1) the danger of the associated labourer idly living upon the labour of others; (2) the slack of management due to the fact that “what is everybody’s business is nobody’s” (Mill, quoted in Claeys, 1987: 125).

Mill's concerns about the presence or absence of "incentives to labour derived from private pecuniary interest" (Mill, 1987: 211) in all alternatives to the capitalist firm is associated with the extent to which self-interest remains a prevalent motive. As long as self-interest is pervasive, "honest and efficient labour is only to be had from those who are themselves individually to reap the benefit of their own exertions" (Mill, 1987: 204). This would be a potential cause for inferiority of socialism, in terms of efficiency, when compared with capitalism. The degree of inefficiency would be larger the feebler the "connection of every increase of exertion with a corresponding increase of its fruits" in terms of individual pecuniary rewards (Mill, 2005: 261). Imagining an extreme egalitarian socialist organization of production, where all the participants of production would receive an equal share of the results, Mill (2005: 262) argued that "the directing minds" would have no incentive to perform their important functions, i.e. the "that striking out of new paths and making immediate sacrifices for distant and uncertain advantages, which, though seldom unattended with risk, is generally indispensable to great improvements in the economic condition of mankind".⁵

For Mill, however, this flaw of socialism, when compared with capitalism, would not be a serious one in the case of "ordinary workers", since he acknowledged what is now labelled the agency problem stemming, among other sources, from the practice of fixed wages under capitalism. As always, Mill was quite cautious. On the one hand, he considered that under the wage system "the inefficiency of hired labour, the imperfect manner in which it calls forth the real capabilities of the labourers, is matter of common remark" (Mill, 2005: 266). On the other hand, he recognised that capitalist firms can create incentive schemes to motivate self-interested workers, aligning their interests with those of the capitalists, mainly through "piece-work, in the kinds of labour which admit of it", and better still, through profit-sharing schemes (Mill, 2005: 267).

Nevertheless, even if the conflict-ridden nature of capitalist social relations of production could be partially overcome under those "incentive-compatible" mechanisms, Mill pointed out that these relations tended to generate feelings of dispossession and alienation on the part of the majority of workers which were the result of a real subordination of their wills to those of the capitalists. The experienced disutility of work and the shrinkage that resulted

⁵ It is interesting to note that Mill anticipates here what would become a central theme of the Austrian critique of socialism – as voiced for example by Mises (1933). In fact, Austrians will argue that socialism's main flaws are related to the absence of private property and genuine competitive markets, which would lead to the disappearance of the individual entrepreneur motivated by the search for profits. The entrepreneur is considered to be crucial for the economic dynamism of society and its absence in socialism – due to the inexistence of incentives – could only have detrimental effects in terms of its economic performance.

from it were responsible for generating inefficiencies which were peculiar to capitalism, and which had a practical translation in the costly investments capitalists had to make in trying to control, monitor and discipline the workers. Mill can thus be said to have anticipated arguments on the economic costs resulting from the opposition of interests between employers and employees that are evoked by Bowles and Gintis.

The democratic cooperative firm, directly owned and controlled by the workers themselves, was seen by Mill as an efficient means to reduce the 'agency problem' which can be overcome only partially within the capitalist firm:

Their rules of discipline, instead of being more lax, are stricter than those of ordinary workshops; but being rules self-imposed, for the manifest good of the community, and not for the convenience of an employer regarded as having an opposite interest, they are far more scrupulously obeyed, and the voluntary obedience carries with it a sense of personal worth and dignity. (1987: 779)

Since the workers would now have a genuine interest in the economic success of their joint endeavour, economising on the costs of monitoring would then be one of the main virtues of cooperatives. This advantage derived from the fact that cooperatives would create the incentives for mutual control on the part of all participants in the production process which "would be sure to be in favour of good and hard working, and unfavourable to laziness, carelessness, and waste" (Mill, 2005: 266). Mill, in fact, expected this kind of productive organization to unleash an enormous productive potential and creativity on the behalf of the majority of workers, which were stifled by the hierarchical structure of the capitalist firm.

As is typical in Mill, the economic or efficiency aspect formed only one part of the argument. The other was the moral. In this respect Mill proclaimed that the material benefit of cooperation was less important than the "moral revolution" in society that it would entail:

[T]he healing of the standing feud between capital and labour; the transformation of human life, from a conflict of classes struggling for opposite interests, to a friendly rivalry in the pursuit of a good common to all; the elevation of the dignity of labour; a new sense of security and independence in the labouring class; and the conversion of each human being's daily occupation into a school of the social sympathies and the practical intelligence. (1987: 789-790)

The confidence that Mill had in the possibility of joint cooperation and effort in production without the relations of subordination typical of capitalism was such that he conceived cooperatives to be capable of overcoming the difficulties related, for example, with the lack of capital, and successfully compete and survive in markets even if this included rival

capitalist firms. Cooperatives would thus eventually become the dominant form of productive organisation in a peaceful, voluntary and gradual process of transition between socio-economic systems.

It is important to note that Mill saw no opposition between the expansion of cooperative forms of production, thus progressively eliminating one of the worst evils of capitalism – the subordination of labour to capital – and the presence of the market as the main mechanism of coordination. Here he dissents from the dominant strand of the nineteenth-century socialist tradition that, as he himself recognised, was quite critical of the inequalities produced by markets, of their anarchic and crisis-ridden nature, and of their corrosive impact upon the social values that Mill himself favoured.⁶

The socialist critique of the market is clearly downplayed. For Mill markets, although perhaps as historically provisional as any human made institution, were irreplaceable in the “foreseeable future”. Firstly, they would create a unique stimulus for innovation in a cooperative dominated economy. Secondly, they were capable, within certain limits, of satisfying consumers’ wishes better than any other alternative institution. Thirdly, their existence avoided a concentration of power in state hands that could only lead to the development of an authoritarian arrangement and to a corresponding surrender of individual autonomy.

For Mill the extension of the principle of association in production did not equate with the control of industry by the state and the replacement of markets by some kind of central planning. Following Smith and preceding the Austrians,

[T]he very idea of conducting the whole industry of a country by direction from a single centre is so obviously chimerical, that nobody ventures to propose any mode in which it should be done [...] the introduction of Socialism under such conditions could have no effect but disastrous failures. (Mill, 2005: 273-274)

It was clear for Mill that the viability of socialism, as a system of voluntary cooperation, regardless of the particular types of institutional arrangements adopted, was in the end dependent on the development of a “high standard of both moral and intellectual education in all members of the community”, capable of superseding the resilient egoistic motivations that were promoted by private property and by the pecuniary individual incentives of capitalism

⁶ Mill’s long debate with the leading socialist intellectuals of his epoch – Saint-Simon, Fourier or Owen – is a feature of his intellectual journey. See Claeys (1987) on this.

(Mill, 2005: 271). This unavoidable moral dimension of socialism, involving the development of other-regarding motivations, was one of its main attractions. However, the enthusiasm with the socialist ideal was always tempered by a sceptical gradualism in the capacity of mankind, at least in the foreseeable future, to devise successful economic institutions that could dispense with incentives geared to self-interested motivations generated by private property and markets. Mill (2005: 268-269) therefore argued that the socialists' proposals for new social arrangements should take a realistic account of the character and motivations of "average human beings, and not only them but the large residuum of persons greatly below the average in the personal and social virtues".

Notwithstanding the cautious assessment of the virtues of human beings, Mill never took human nature for granted. As McPherson (1982) and Baum (2003) have argued, he continuously stressed the link between the institutional arrangements of society and the type of individual motivations and values fostered, thereby signalling the capacity for change in character, for example through education and other social institutions: "the real education of the people is given to them by the circumstances by which they are surrounded (...) the unintentional teaching of institutions and relations" (Mill, quoted in Baum, 2003: 411). The institutional arrangements of society should in fact be evaluated by their capacity to "teach" individuals to permanently improve themselves (McPherson, 1982).

Socialism while requiring the virtues of "integrity, good sense, self-command and honourable confidence in one another" would be, at the same time, the type of social arrangement that might develop them (Mill, 1987: 789). This is in the end a clear acknowledgment of what Bowles (1998) calls the "endogeneity of preferences" and it is quite crucial for Mill's cautious optimism on the possibilities of socialism. One may then say that, as Mill sees it, if preferences were not endogenous, in the sense that institutions would not have an impact on them, socialism could never be foreseeable as a real alternative. It is because Mill identifies a more or less spontaneous tendency for the more educated members of the labouring classes to create and adhere to associative schemes of production within capitalism, and the tendency for these to foster other-regarding motivations, that socialism is seen by Mill as an emergent long-term possibility. Here Mill's adherence to a moral economy perspective guides his analysis and his evaluation of the benefits of socialism.

The position that Mill took on the virtues of market competition taken together with his clear defence of the progressive extension of workers control of the means of production, albeit without any state expropriation and direction, makes him a pioneering liberal defender

of something similar to the market socialist schemes we currently encounter in the real utopias project (Stafford, 1998).

4. Two 'real utopias'?

Wright (1998a: xii) has perceptively summarized Bowles and Gintis's proposal as a "left-wing affirmation of the positive virtues of markets under suitably designed rules of the game", arguing that "equality and efficiency can both be advanced if assets are broadly redistributed from principals to agents". In a sense, their proposal expands, or so we argue, the Millian defence of a radical departure from the "system of private property as it is", and recasts it within the framework of the "post-Walrasian" neoclassical paradigm of asymmetric information and principal-agent theory. In fact, notwithstanding major differences, to be highlighted below, and minor differences of vocabulary and emphasis, several striking commonalities can be identified.

Firstly, both contributions emphasize the possibility and advantages of surpassing the conflictual social relations inherent in the capitalist firm, with its separation between "exertion" and the appropriation of the benefits, the subordination of labour to capital, the unsustainable negation of the liberal principles in the domain of "private" production, or the stifling of the initiative of those who, under present institutional arrangements, do not have the possibility of adequately exercising their "voice" with regard to the direction of the firm in which they work.

Secondly, and relatedly, both contributions turn the efficiency argument upside down. Both argue that the control of the firm assets by the workers themselves would have a positive effect in terms of efficiency. The beneficial effect would come from greater incentives arising once a closer alignment between effort and reward is achieved, and once the costly investments in monitoring and controlling the workers, more or less unavoidable in a capitalist firm, cease to be necessary because every worker would now have a stronger reason to exercise that function voluntarily. Both show a remarkable confidence in the capacity of workers, as residual claimants, to solve the collective action problem that arises due to the possibility that every worker has to reap the benefits of joint production without sharing the effort. They rely on the patterns of face-to-face interaction within communities and on the behavioural pattern of reciprocity to assure that every worker shares the costs of monitoring and control of each other. Furthermore, they also recognise that this is not enough. The

cooperation needed to overcome the collective action problem depends on a sense of commitment to community, which Bowles and Gintis capture within a broader notion of preferences, and Mill through his belief in moral improvement under association.

Thirdly, they both see the possibility of a virtuous articulation between workers' owned firms and the market. This last institution is to be retained in the contemporary and the classical "real utopia" for very much the same reasons: (1) it gears production towards consumers' wishes; (2) it puts a premium on effort and penalizes the inapt; (3) it decentralizes economic decisions and creates the much needed room for experimentation and innovation to emerge. Indeed, there seems to be ample evidence to argue that the following quotation by Jonathan Riley on Mill can equally apply to Bowles and Gintis: "it must be emphasized that a decentralized socialist economy, in which self-managed producer co-operatives compete with each other in product and factor markets, is evidently the only form of socialism taken seriously" (Riley, 1996: 65).

Fourthly, with the important exception of the process of asset redistribution, the state has almost the same scope in both proposals, since it is viewed as a general rule-enforcer and as solution to important failures that stem from the existence of collective action problems that cannot be solved by relying on decentralized and voluntary solutions. It can be said of both contributions that the line drawn "between free markets and state intervention remains the same whether capitalism or socialism or some mixture of the two exists" (Riley, 1996: 65).

Finally, they both recognise, and try to account for, the argument of the endogeneity of preferences. This means, in both Mill and Bowles and Gintis, the recognition that the way human institutions are structured, the types of social relations that are thereby promoted, have an impact on the attitudes and values that are nurtured. It is therefore impossible not to evaluate human arrangements in terms of the possibilities they offer for the expression of other-regarding motives. Both concur that communities, by fostering association among equals, offer avenues for moral improvement, although Bowles and Gintis show some reluctance to rely too much on this type of argument.

Indeed, Mill's adherence to a moral economy perspective is clearer in respect to his defence of socialism. In Mill (1987: 773), socialism is desired, first and foremost, because of its capacity to nurture in a crucial sphere of human life – work and production – the potential ability for self-government and real autonomy, which is universally shared by individuals in a lesser or greater degree, and is awaiting to be unlocked by a proper modification of human

made institutions (Baum, 2003). In Mill the criteria of efficiency is far from being ultimate or decisive when accessing the “comparative advantages” of social systems.

Bowles and Gintis, in contrast, mostly rely on efficiency arguments, thus choosing to follow the *dictum* that advises economists to “economize on love” (Robertson, 1956). This, they possibly believe, sharpens their rhetoric by making their proposal more compelling to a profession that has been educated to dismiss “normative” questions. Notwithstanding the results which may be obtained with this rhetorical strategy in shattering the mental habits of economists, namely the habit of opposing efficiency and equality, the strategy, as such, entails the risk of reducing the reflection and debate to a single-dimensional frame, leaving no space for the consideration of moral aspects which although incommensurable to efficiency are nonetheless important.

By economizing on morality, Bowles and Gintis seem to downplay the fact that the reasons for discontent with real existing capitalism tend to transcend the self-interested search for a larger slice of the pie, entailing broader visions of society which are ultimately grounded on moral conceptions of the good. In this respect Mill knew better. He was “not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other’s heels, which form the existing type of social life, are the most desirable lot of human kind” (Mill, 1987: 748) and he relied on the moral repugnance with this state of affairs as the source of motivation for the exercises of institutional imagination and collective action aimed at social improvement. By economizing on morality this is the source that is being dried out.

However, Bowles and Gintis’s more parsimonious theoretical framework can best respond to a weak point in Mill. This, following Riley’s (1996) and Miller’s (2005) interpretation of Mill, is related to his over-reliance on the expectation of a transition between different socio-economic systems as a process of spontaneous emergence of a democratic form of organization. Workers’ cooperatives would become dominant given their potential superiority when compared with their capitalist counterparts, even “at [their] best”. Their superiority would be not only a consequence of higher efficiency to be confirmed in the competitive market, but also a question of their capacity to attract the workers who, due to the process of moral improvement, would refuse to work under the tutelage of a capitalist. Mill’s moral economy would thus preclude the need for any state-sponsored redistribution of assets, something that his liberal principles, as Riley (1996) has shown, would not allow anyway. Instead, Bowles and Gintis’s framework squarely faces, as we have shown above, some of the real obstacles that

block this process of spontaneous transition. They do not seem to think that morality alone can do the trick of unleashing such a radical, even if gradual, systemic transition.

5. The volitional element and the prospects of association

Given the existing commonalities it is not surprising to find Bowles and Gintis's and Mill's 'real utopias' confronted with similar problems and difficulties. The first to be highlighted are problems of transition and sustainability. In Mill, the prospect of a smooth transition to socialism, with worker cooperatives outcompeting and progressively replacing privately owned firms, was founded on the perception that such a futurity corresponded to a deep rooted desire of the working classes for autonomy. "The working classes", wrote Mill, "have taken their interests into their own hands, and are perpetually showing that they think the interests of their employers not identical with their own" (Mill, 1987: 756).

However, one of the teachings of capitalist development is that the desire of workers to assume the responsibility for the fate of the enterprise cannot be taken for granted. Apparently, the experience shows that worker-managed firms tend to emerge in periods of economic downturn as a last resort by workers to avoid the consequences of bankruptcy and unemployment (Singer, 2004). Moreover, once having emerged, the life span of those firms is usually short, either in case of success or failure. In face of such an experience, and reporting his own observation, Commons (1921) wrote: "We do not find that 'labour' wants to participate in the financial responsibilities of ownership. (...) What we find that labour wants, as a class, is wages, hours, and security, without financial responsibility, but with power enough to command respect". And he added that, if labour comes to control industry on some occasions, "it is because certain individuals succeed, and then those individuals immediately close the doors, and labour, as a class, remains where it was" (Commons, 1921: 284).

While this historical experience, as reflected in Commons's perceptive remark, was not available to Mill, the same cannot be said in respect to Bowles and Gintis. However, Bowles and Gintis seem to assume that the achievement of their 'real utopia' rests solely on a state sponsored transfer of capital assets to workers. The volitional element, that is, the willingness on the part of the workers to take on the responsibility for the collective management of the firm is left unquestioned.

As noted by Spencer (2000: 558), Bowles and Gintis's efficiency argument in favour of worker-owned firms is also vulnerable to the critique of relying in a "exclusively conflictual

picture of capitalist production” involving the notion that the employment contract not only is incomplete but biased in accordance with a balance of power that is unfavourable to the worker, and thus permanently contested. Now, if the power imbalance is somehow compensated by restrictions imposed on the strong part, either by legislation or norms internal to the firm, the attitude of workers in respect to the formal and informal obligations of the labour relation may be richer and more nuanced than envisioned both by Bowles and Gintis and by standard principal-agent theory. In a labour relation framed by norms, there are grounds for judging the standing relations in terms of justice or fairness, and workers, as captured by the popular motto “a fair day’s work for a fair day’s pay”, currently make such judgement. As put by Wright (1998b: 90), “work is, to a variable extent, regulated by various kinds of norms which create a sense of obligation and responsibility on the part of both workers and bosses”.

A second line of problems is related to the prospects of building the association that Mill had in mind in a frame of market embedded cooperatives. In fact, the moral economy of socialism has always spotted a potential tension between the social practices favoured by markets and the nurturance of what Wright (1998b: 96) calls a “strong sense of community within a polity”. As Anderson (1999: 289) argues, the construction of an enlarged community of citizens who participate as equals in their self-government presupposes an effective access to “the social conditions of their freedom at all times”. This means that there must be a variety of goods whose access is to be partially or totally detached from market-mediated relations and money. The expansion of a non-market socialized sector, organized by the democratic state, which is underemphasized in both Mill and Bowles and Gintis, might be an inescapable material bedrock for the creation of a sense of common destiny among the citizens of a polity capable of simultaneously transcending the isolation and atomization of the market, on the one hand, and the potential factional identities of associations, on the other.

This was again very well put by Anderson (1993) when, closely following Walzer (1983), she developed the idea that the way a society chooses to distribute the goods has an expressive dimension, meaning that it conveys certain values while it undermines the expression of others. Her main thesis should qualify the enthusiasm of socialist followers of Mill in respect to the virtues of markets. The market may tend to block, by the patterns of interaction it favours, the expression of what Anderson (1993) calls gift and shared values. Gift values find their worth in the fact that they are given for reasons other than self-interest, having an expressive dimension that is associated with the fact that they convey a message

about the intrinsic value of a social bond. This was vividly conveyed, for example, by Titmuss (1970) in his defence that blood donation and access should not be market-mediated. Donation and free-access was the only way to institutionalize a “commitment to one’s fellow human beings and a desire to serve them while being served by them” (Cohen, 1994: 9). Shared values, on the other hand, presuppose that certain goods are held in common, or accessible, as a matter of rights recognised by society, signalling the existence of an enlarged community to which its members are effectively jointly committed, among other things, by the consciously socialization of a part of the provision process of the goods that sustain a communities’ livelihood (Anderson, 1993). This of course also presupposes non-market institutions of provision because the good that is shared must be held in common or freely accessible by all, meaning that its fruition or use expresses the participation in an enlarged collective endeavour.

6. Final Remarks

We have argued in this paper that Bowles and Gintis’s contribution to the real utopias project can be read as a modern restatement of John Stuart Mill’s defense of the transcendence of the subordination of labor within the capitalist firm. The disclosure of the commonalities existing in both contributions sheds light on the potential – economic and moral – of an articulation between democratic association in production and markets in exchange, within redesigned “rules of the game” assured by the state.

From a perspective that is sympathetic to Mill’s moral economy, we have also argued that the exercise of social imagination needed to unleash forms of collective action aimed at social change must go beyond an efficiency type of reasoning to encompass a reflection on the institutions needed to nurture the values that in the end both Mill and Bowles and Gintis seem to share. However, we have acknowledged that, from their more parsimonious stand, Bowles and Gintis provide a seemingly more realistic view on an important obstacle, underestimated by Mill, that blocks the possibility of workers acceding to the control of the firms in which they work, and have given a more detailed blueprint for overcoming this problem.

The doubts cast on the possibility of building Mill’s desired association in the frame of a society of market embedded cooperatives, which could as easily also apply to Bowles and Gintis’s ‘real utopia’, suggest the need for further consideration. In fact, in both classical and contemporary “real utopias”, the prospect of a public *vacuum*, with individuals becoming

either separated atoms interacting in markets or “knaveish” creatures locked in closed communities, does not seem to be sufficiently conjured.

However, we view the problems highlighted in both contributions as an incentive for a further articulation of robust ‘real utopias’ in which markets and associations cease to be viewed as opposed pure principles of order. The reflection needed must not only involve a clarification of the links between non-market institutional arrangements and the development of a sense of belongingness to a wider democratic community, but must also be extended beyond the acknowledgment of the potential for institutional complementarities. The point is that this potential also depends on profound changes in the institutions being combined. What we mean by this is that, as the market may be more or less embedded in the social fabric, and market forces more or less tamed by democratic control, so the associations participating in the provision process may be more or less open and flexible, allowing for multiple affiliations and allegiances and for the participation in joint deliberations of diverse stakeholders with competing interests.

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