Forms of Exploitation and Sources of Inequality within Capitalism

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At least nominally, capitalism embodies and sustains an Enlightenment agenda of freedom and equality.[1] Typically there is freedom to trade and equality under the law, meaning that most adults – rich or poor – are formally subject to the same legal rules. But with its inequalities of power and wealth, capitalism darkens this legal equivalence. As Anatole France (1894) noted ironically: 'The law, in its majestic equality, forbids the rich as well as the poor to sleep under bridges, to beg in the streets, and to steal bread.' But this does not mean that legal equality is unreal or unimportant. On the contrary, legal systems enshrining such equality have been beacons of prosperity.

Evidence gathered by Richard Wilkinson and Kate Pickett (2009) shows multiple deleterious effects of inequalities of income and wealth. Using data from twenty-three developed countries and from the separate states of the United States, they observed negative correlations between inequality and physical health, mental health, education, child well-being, social mobility, trust and community life. They also found positive correlations between inequality and drug abuse, imprisonment, obesity, violence, and teenage pregnancies. They suggested, but did not establish in detail, that inequality creates adverse outcomes through psycho-social stresses generated through interactions in an unequal society.

A massive literature – too extensive to review here – examines the relationship between inequality and economic performance (Galbraith and Berner 2001). Some argue that inequality is a necessary foundation for capital accumulation. But Robert J. Barro (2000) found that, after introducing controls for education, fertility, and investment, there is no

[1] This essay expands on some material from Hodgson (2015a).

significant correlation between inequality and economic growth. While some inequality provides high-powered incentives for entrepreneurs and other high-flyers, an unequal society also wastes the talent of many on middle and lower incomes who have less access to high-quality education, sub-cultural support, and financial backing.[2]

The development of secure financial institutions, including credit money and the sale of debt, is an historic book-end that conveniently marks the emergence of capitalism in England around the eighteenth century. Capitalism, as its name suggests, is about *capital.* If we use that word in its longstanding business sense of money, or the money value of collateralizable assets invested in production (and drop the different meanings given to the word by economists and sociologists) then capital-ism points to the institutions of property and finance that make monetized investment and collateralization possible (Hodgson 2014, 2015a).

In my book *Conceptualizing Capitalism* I propose a definition of capitalism that includes private property, widespread markets, widespread employment contracts and developed financial institutions that involve credit money and the sale of debt. The development of financial institutions was crucial to capitalism's birth and take-off. Note that neither markets nor private property are sufficient to define capitalism, because they have both existed for thousands of years (Hodgson 2015a).

What are the mechanisms within capitalism that exacerbate inequalities of income or wealth? The following section briefly considers the Marxist approach, based on the labour theory of value. The second section considers factor asymmetries between labour power and capital assets. These may be seen as possible types of exploitation within capitalism, and pointers to possible sources of increasing inequality within the system. The third section discusses whether markets are the source of inequality under capitalism. The fourth section argues that the institutional sources of inequality under capitalism are more to do with *capital* (when appropriately defined) than markets. The fifth section includes some policy suggestions and concludes the essay.

1. Labour, value and exploitation

Against its agenda of legal and political equality, does exploitation – in some sense – exist under capitalism? This, of course, depends on the definition of that term. Exploitation connotes disadvantages or injustices that apply to one group rather than another. We are concerned in this context with groups or classes that own different types of production factor: including labour power, machinery, and land. We are particularly interested in possible exploitation that can lead to cumulative divergences in income or wealth between rich and poor.

Marx traced the source of exploitation – leading to the concentration of wealth in the hands of the rich – to the extraction of surplus value from the workers in the sphere of production. He presumed that labour is the sole source of all value. It is then observed that much value is not returned to labour. The 'surplus value' retained by the capitalists is thus evidence of exploitation. But there is no good reason to assume that labour is the source of all value. This approach assumes what it has to prove.

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[2] An additional problem with the increasing concentration of income in the top few percent is that overall savings rates increase, because those with the highest incomes tend to save more. 'The relationship is straightforward and ironclad: as more money becomes concentrated at the top, aggregate demand goes into a decline' (Stiglitz 2012b). This can lead to further unemployment and stagnation (Palley 2012).

As David P. Ellerman (1992) explained, defenders of the Marxian notion of exploitation conflate different questions. Asking who (or what) is *responsible* for an output, is not the same as asking what (in part) causally *determines* an output or its value. Responsibility here is taken in the more restrictive sense of being personally accountable for the outcome. In this manner we attribute responsibility to persons, rather than objects. Intentional agents are held responsible for their acts: the person, not the gun, murders the victim; the driver, not the vehicle, was responsible for the crash. Similar arguments apply to the production process. As the Austrian school economist Friedrich von Wieser (1930, p. 79) wrote in 1889: 'Land and capital have no merit that they bring forth fruit; they are dead tools in the hand of man; and a man is responsible for the use he makes of them.'

Supporters of the labour theory of value point out that labour alone (including the labour of managers) is an active agent in the production process. But we cannot conclude from this that labour alone is causally responsible for the output. Furthermore, different factors of production have to be brought together for production to take place.

Within production, the owners of land, buildings, and machines do nothing: it is the workers alone who are responsible for the output. But this overlooks the responsibility of the owners of land, buildings, and machines in agreeing to the use of their property for productive purposes. Similarly, the criminal who knowingly lent the killer a gun is also responsible for the murder. Distribution matters as well as production. The Marxist analysis of the basis of exploitation is inadequate. For a fuller picture it is necessary to consider other possible forms of exploitation. Let us consider a number of other possible asymmetries between factors of production.

2. Factor asymmetry and exploitation

We may define *bargaining exploitation* as an asymmetry of bargaining power between agents in the sphere of exchange.[3] But although employers often have much greater bargaining power, combinations of workers can sometimes exert strong bargaining power over employers. There is nothing in the definition of capitalism that implies that, by this measure, capitalists will always have the upper hand in this regard. Bargaining exploitation typically exists under capitalism, but strictly it is not necessary for its existence. Although commonplace, asymmetries of bargaining power are not part of the essence of capitalism, simply because it is conceivable that capitalism could exist with relatively little bargaining asymmetry, particularly if employees are organized in strong unions.[4]

Consider the asymmetrical authority established in the employment contract and exercised in the sphere of production. A crucial feature of the employment contract is the potential power (within limits) of employers over employees regarding the manner of work. This asymmetric authority may be regarded as a form of exploitation, and I previously called it

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[3] In Hodgson (1982) I noted Chamberlain's (1951) measure of bargaining power: bargaining power of A = (cost to B of disagreement with A)/(cost to B of agreement with A). In Marshall's (1920, pp. 565-9) discussion of the 'peculiarities' of labour, as opposed to other agents of production, he (p. 569) saw these peculiarities as a source of labour's 'disadvantage in bargaining' which 'wherever it exists is likely to be cumulative in its effects.'

[4] Some economists identified a source of asymmetrical bargaining power in the 'perishability' of labour power (Marshall 1920, p. 567; Hobson 1929, pp. 208-9). If unemployed this hour, then that labour is lost forever. Here, 'perishability' relates to opportunities for use. Hence, as Marshall (1920, p. 567) conceded and Hutt (1930) emphasized, land and machines are also perishable in this sense. A machine unused is also an opportunity lost forever. Labour power is not unique in this respect.

authority exploitation (Hodgson 1982). Ellerman (1992) called for the abolition of asymmetric authority and for the replacement of employment by shared, democratic authority, as found in worker cooperatives. But while the renting of individuals may have ethical limitations, I argue elsewhere that the complete abolition of all employment contracts is neither advisable nor a priority (Hodgson 2015a, ch. 16).

There are other dimensions of exploitation. The political philosopher Thomas Green (1888, p. 373) wrote:

> Labour, the economist tells us, is a commodity exchangeable like other commodities. This is in a certain sense true, but it is a commodity which attaches in a peculiar manner to the person of man. Hence restrictions may need to be placed on the sale of this commodity which would be unnecessary in other cases, in order to prevent labour from being sold under conditions which make it impossible for the person selling it ever to become a free contributor to social good in any form.

Marshall (1920, p. 566) echoed this: 'when a person sells his services, he has to present himself where they are delivered. It matters nothing to the seller of bricks whether they are to be used in building a palace or a sewer: but it matters a great deal to the seller of labour.' Hobson (1929, p. 209) wrote similarly that a 'disabling element in the sale of labour-power is that it is not detachable in the conditions of its delivery from the human factors of personality.' Compared with the capitalist who makes his property available and may reap a reward without actually being present on the job, workers and their labour-power are inseparable (Dow 2003). I called this *corporeal exploitation* (Hodgson 1982).

Corporeal exploitation is present in any mode of production involving labour and incomes from other separately owned factors of production. The problem is the disadvantage that inseparability bestows upon labour, compared with the owners of other factors. Given that capitalists can delegate the tasks of management to others, and obtain rewards simply from their ownership of non-labour assets, they are placed at an advantage. They can use their time for trading and other entrepreneurial ventures, while simultaneously their property reaps rewards. Hence corporeal exploitation is likely to have cumulative effects, creating a widening division between one social class and another. Workers have less time to devote to their education or training or to searching for alternative opportunities.

The differences between factors of production in this regard can be ended, by eradicating the capacity to reap a reward from the private ownership of non-labour assets. This might happen through wholesale nationalization, or by creating an economy with self-employed producers or worker cooperatives. None of these solutions overcome the inseparability of labouring activity from the worker: at best they deal with labour's disadvantage by abolishing incomes from the separate ownership of other factors of production.

Alleviation of the problem of corporeal exploitation can result from the reduction of the working day, which would give workers more time apart from their work. But the fundamental difference – noted by Green, Marshall, and Hobson – between the inseparability of labour from its agency, and the separability of other assets from their proprietors, will always remain within capitalism.

Another vital dimension of possible exploitation was missing from my 1982 account. I did not then appreciate the centrality of the collateralization of property to the functioning of capitalism. Strong hints of this are found in the work of John R. Commons (1924, 1934), but the supreme development of this idea is in the works of Gunnar Heinsohn and Otto Steiger (Heinsohn and Steiger 2013, Steiger 2008). Making the important distinction between

possession and property, Heinsohn and Steiger further echo Commons (1924) by insisting that property necessarily involves the state as a source of legitimation of legal rights. These rights, in turn, form the basis for using property for obtaining collateral. This feature is largely overlooked by mainstream economists (Hodgson 2015a, 2015b).

A further implication is the reconstitution of the concept of capital. Outside economics and sociology, the concept of capital has meant property that can be used as collateral for securing monetary loans (Hodgson 2014, 2015a). Differential collateralizability leads us to another dimension of exploitation and a powerful engine of cumulative inequality. Employees are not slaves and selling oneself into slavery is prohibited. Hence capitalism limits the possibility of mortgaging labour power. Banks may lend money on the basis of expected future earnings. But, if the loan is not repaid, they cannot seize the earner and sell him or her as a slave. Freedom from enslavement denies the employee opportunities for obtaining loans using labour assets as collateral. This is *exploitation through unequal collateralizability*.[5]

Unequal access to collateral is a major source of further inequality. Unless they have other property, workers cannot obtain sizeable loans. By contrast, the capitalist receives incomes from property, which can also be used as collateral to borrow more money and invest still more in profitable enterprises. Capitalism thus follows the Biblical maxim: 'for whosoever hath, to him shall be given, and he shall have more abundance: but whosoever hath not, from him shall be taken away even that he hath' (Matthew 13:12, see also Mark 4:25, Luke 8:18 and Luke 19:26).

We have identified several factor asymmetries and types of exploitation, but two are particularly important under capitalism. They are inherent sources of inequality within capitalist societies. These are *corporeal* exploitation and exploitation through *unequal collateralizability.* Further sources of inequality and possible remedies are addressed in the following sections.

3. Are markets the source of inequality within capitalism?

Some inequality results from individual differences in talent or skill. But this cannot explain the huge gaps between rich and poor in many countries. Much of the inequality of wealth found within capitalist societies results from inequalities of inheritance (Bowles and Gintis 2002, Credit Suisse 2012). Some children are born into much more fortunate circumstances than others. The process is cumulative: inequalities of wealth often lead to differences in education, economic power, and further inequalities in income.

To what extent can inequalities of income or wealth be attributed to the fundamental institutions of capitalism rather than a residual landed aristocracy, or other surviving elites from the pre-capitalist past? Much inherited wealth may originate from former eras. So we must focus on possible sources of inequality from within capitalism itself.

A familiar mantra (which I have previously repeated) is that markets are the source of inequality under capitalism.[6] Is this true? Noting the 'scant attention' paid to this issue and a 'dearth of studies' in this area, Christopher Kollmeyer (2012, p. 400) analysed data from 18

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[5] Of course, this does not mean that slaves are free of exploitation. They suffer the loss of legal rights and are exploited in different ways. The forms of exploitation discussed here are the ones most relevant to capitalism.

[6] Note that Marx (1976) did not regard markets as the source of inequality. Instead, he located it historically in the 'primitive accumulation' that separated the workers from the means of production, and in the ongoing expropriation of surplus value in the sphere of production.

advanced capitalist countries over several decades and found 'a strong and positive link between the size of consumer markets and income inequality.' Other studies have found that inequality has increased markedly in formerly Soviet-type countries in their transitions from planned to market economies after 1989 (Bandelj and Mahutga 2010). So can markets be blamed for inequality?

Kollmeyer (2012, p. 401) argued that 'economic activity in consumer markets is based on competition and the pursuit of private gain, which should create abundant opportunities for individual differentiation and hence relatively high levels of income inequality.' By contrast, 'public sector is oriented toward the fulfilment of social need using resources obtained through progressive taxation.' But markets and 'the pursuit of private gain' are simply assumed to be the source of inequality, without any demonstration of the mechanisms involved. Another error is the presumption that the public sector is necessarily oriented toward the egalitarian fulfilment of social need. Nationalization does not necessarily turn an industry into a public benefit. Some state-run systems have generated catastrophic famines, or degraded the natural environment. Kollmeyer suggested that markets in modern economies should be dramatically diminished in scope. But he presumed rather than demonstrated the benefits of public provision. Both the argument and the policy conclusion are challengeable. Kollmeyer's claims are based on a statistical correlation with no explanation of causation.

In his hard-hitting analysis of growing inequality in the United States, Joseph E. Stiglitz (2012a, p. xiii) wrote: 'Markets, by themselves, even when they are stable, often lead to high levels of inequality.' But he then modified this claim: 'Market forces played a role, but it was not market forces alone' (p. 28). The subtle shift from 'markets' to 'market forces' should be noted. Blaming 'market forces' is not necessarily the same thing as blaming markets. Such 'forces' could be inequalities of power and wealth that operate within markets. In this case, the main factors involved in the explanation resemble the inequality that we are trying to explain. Then, in his chapter on 'markets and inequality,' Stiglitz blamed not markets as such, but how they are 'shaped,' along with other possible causes of inequality, including technological changes, advances in productivity, international shifts in comparative advantage, and other important factors that are not strictly markets as such. Despite the rhetoric, Stiglitz did not show that markets can be blamed for inequality.

In reality, of course, no market is perfectly competitive. When a seller has sufficient saleable assets to affect prices, then strategic market behavior is possible to drive out competitors. Many economists see greater competition as the remedy. If markets *per se* are to be blamed for inequality, then it has to be shown that competitive markets also have this outcome. Unless we can demonstrate their culpability, blaming competitive markets for inequalities of success or failure might be like blaming the water for drowning a weak swimmer. To demonstrate that competitive markets are a source of inequality we would have to start from an imagined world where there was initial equality in the distribution of income and wealth, and then show how the use of markets (or commodity exchange) alone led to inequality. I know of no such theoretical explanation. Markets involve voluntary exchange, where both parties to an exchange expect benefits. One party to the exchange may benefit more than the other; but there is no reason to assume that individuals who benefit more, or benefit less, will generally do so.

Of course, there can be strong positive feedbacks where the rich get richer, as in Daniel Rigney's (2010) 'parable of the Monopoly game.' But the sources of the resulting inequalities are not the acts of trading themselves. They are combinations of luck and strategy that lead to small differences in wealth that get exaggerated as the game unfolds. Random effects or slight

skill differences become cumulatively exaggerated via positive feedbacks. Here, the multiplication of effects is to blame for almost all the inequality, not the markets themselves.

Those who blame markets for inequality sometimes overlook their institutional character and isolate them from their institutional integument. Markets are institutionally constructed and not natural phenomena. The level of inequality under capitalism is then a function of complex of diverse institutions often involving different types of market.

What about globalization? The globalization of markets has important consequences but does not necessarily increase inequality. According to the empirical study by Branko Milanovic (2011), global income inequality has not increased much since 1950. Furthermore, most global income inequality is due to differences *between* countries, rather than within countries. Accordingly, as less-developed countries grow, global inequality could *decrease*.

It is theoretically possible for inequality to increase within every country while global inequality decreases (Milanovic 2005). This would be an example of the well-known Simpson's paradox, or the Yule-Simpson effect, in which a pattern that is ubiquitous in different individual cases is absent or reversed when the data are aggregated. Consider this intuitively. About one-fifth of the world's population is Chinese. In 1950 most people in China were desperately poor. These many millions were at the bottom of the global prosperity rankings. Since 1980 China has become more unequal but most of its population has become much better-off. As China moves up the country rankings in terms of average wealth or income, it affects global distribution and the global degree of inequality. Many ordinary Chinese move from the bottom of the global prosperity league, which amounts to a significant global redistribution of income and wealth. Depending on countervailing forces, this can in principle mean a reduction in global inequality. This helps explain why globalization does not necessarily lead to greater global inequality, despite high and growing inequality within many countries.

This is not an apology for globalization. There is a case for protecting infant industries in developing countries (List 1841, Chang 2002a, 2002b, Fletcher 2011).[7] I am also sympathetic to Rodrik's (2011) arguments against 'hyper-globalization.' My point here is different: there is no forceful argument to suggest that the globalization of markets necessarily leads to greater global inequality.

4. The generic sources of inequality within capitalism

So if markets *per se* are not the root cause of inequality under capitalism, then what is? A clear answer to this question is vital if effective policies to counter inequality are to be developed. Capitalism builds on inherited inequalities of class, ethnicity, and gender. By affording more opportunities for the generation of profits, it may also exaggerate differences

[7] Critics of the infant-industry argument pointed out that competitive capital markets can ensure that new firms can borrow money to invest sufficiently to overcome initial problems of workforce training and production scale, and thereby reach the levels of efficiency required to compete internationally (Meade 1955, Baldwin 1969). This capital market argument overlooks the Keynesian or Knightian type of uncertainties involved. Furthermore, even if the lenders had a sound positive appraisal of future benefits once the industry had matured, they still might be deterred from lending to an infant firm under capitalism because of missing futures markets for labour, and the possibility that trained workers may quit the emerging firm or industry. As Hart (1975) showed, with missing (e.g. labour) markets there is no guarantee that their incremental extension (e.g. for finance capital) will improve efficiency. Of course, there is no guarantee that tariffs to protect infant industries will work either, and there are clear downside risks with such a policy. But it does mean that any infant industry protection must be combined with interventionist measures to incentivize the training and retention of workers by firms.

due to location or ability. Partly through the operation of markets, it can also enhance positive feedbacks that further magnify these differences. But its core sources of inequality lie elsewhere.

The answer has been foreshadowed above: *The foremost generator of inequality under capitalism is not markets but capital*.[8] This may sound Marxist, but it is not. In Hodgson (2014, 2015a) I define capital differently from Marx and most other economists (excepting Fetter, Hobson, Mitchell Innes, Schumpeter, Sombart, and Weber). Capital is money, or the money-value of owned and collateralizable property. Precisely because waged employees are not slaves, they cannot use their lifetime capacity for work as collateral to obtain money loans. The very commercial freedom of workers denies them the possibility to use their labour assets or skills as collateral. By contrast, capitalists may use their property to make profits, and as collateral to borrow money, invest and make still more money. Differences become cumulative, between those with and without collateralizable assets, and between different amounts of collateralizable wealth. Even when workers become home-owners with mortgages, the wealthier can still race ahead.

Labour cannot be collateralized because workers are not owned: there are missing futures markets for labour. A further consequence – as noted above – is that employers have diminished incentives to invest in the skills of their workforce. Especially as capitalism becomes more knowledge-intensive, unless compensatory measures are put in place, this can create an unskilled and low-paid underclass and further exacerbate inequality. A socially-excluded underclass is observable in several developed capitalist countries.

Another source of inequality results from the inseparability of the worker from the work itself. By contrast, the owners of other factors of production are free to trade and seek other opportunities while their property makes money or yields other rewards. As Green, Marshall, and Hobson recognized, this puts workers at a disadvantage. As noted above, even slight disadvantages can have cumulative effects.

None of these core drivers of inequality can be diminished by extending markets or increasing competition. These drivers are congenital to capitalism and its system of wage labour. If capitalism is to be retained, then the compensatory arrangements required to counter inequality cannot simply be extensions of markets or private property rights.

By mis-defining capital and overlooking these asymmetries, both orthodox and heterodox economists have neglected the true sources of inequality under capitalism. Improved definitions begin to reveal these core asymmetries.

Consider Thomas Piketty's (2014) breakthrough work in *Capital in the Twenty-First Century*. His book is driven by forceful data and a little precise mathematics, so why do we need to care about concepts and definitions? The truth is that Piketty had to reverse more than two centuries of abuse of the notion of capital by economists and sociologists to make his case. After an age of terminological obscurantism, his data would have us return to the commercial meaning of the concept. To obtain his results he had to confine capital to collateralizable assets. Neither wage labour nor so-called 'social capital' are collateralizable. Good definitions are vital for empirical discovery and policy development.

An additional important source of inequality within capitalism is the growing relative importance of highly skilled, knowledge-intensive workers and managers. Compared to less

[8] Piketty (2014) provided historical data and rich empirical vindication of this claim. He showed that the main driver of inequality is the tendency of returns on capital to exceed the rate of economic growth.

skilled workers, they can sometimes command much higher salaries. In particular, Piketty (2014) identified the incomes of 'super-managers' as a major factor behind recent rising inequality in the US. This problem is not peculiar to capitalism: we can imagine a variety of capitalism where the problem is much less than in the US or other contemporary advanced economies. Nevertheless, when addressing inequality under capitalism today, this additional causal factor has to be taken on board.

5. Conclusion

It is beyond the scope of this article to consider alternatives to capitalism. But given the failures of socialism in the twentieth century, the case can be made for picking the best within the set of varied capitalist possibilities. We shall have to live with capitalism for the foreseeable future, so we might as well choose the most successful and socially just among its varieties. Even in the globalized world of today, different institutional configurations exist within different capitalisms, sometimes with very different outcomes in terms of inequality.

But whatever kind of capitalism we choose, we also have to address its systemic problems, including the generic sources of inequality within the system. The arguments here show that the major generic driver of inequality within capitalism is differential ownership of collateralizable assets. These days, many workers own their homes and have other assets that can be used to borrow money. Picketty also shows empirically that additional forces are behind some rising inequality in recent decades. But none of this overturns the fundamental asymmetries between wage labour and capital, particularly the fact that the latter but not the former can be used as collateral.

In 2010 the USA, the richest 1 per cent own 34 per cent of the wealth and the richest 10 per cent own 74 per cent of the wealth. In the UK, the richest 1 per cent own 12 per cent of the wealth and the richest 10 per cent own 44 per cent of the wealth. In France the figures are 24 cent and 62 per cent respectively. The richest 1 percent own 35 percent of the wealth in Switzerland, 24 per cent in Sweden and 15 percent in Canada. Although there are important variations, other developed countries show similar patterns of inequality within this range. The problem is the most extreme in the USA. Lower levels of inequality elsewhere are far from satisfactory but indicate what might be politically feasible for the more unequal countries (Credit Suisse Research Institute 2012).

Bruce Ackerman and Anne Alstott (1999) developed a proposal for a 'stakeholder society.' They stressed progressive taxes on wealth rather than on income. Echoing a much earlier idea by Thomas Paine, they proposed a large cash grant to all citizens when they reach the age of majority, around the benchmark cost of taking a bachelor's degree at private university in the United States. This grant would be repaid into the national treasury at death. They argued that 'property is so important to the free development of individual personality that everybody ought to have some' (p. 191). To further advance redistribution, they argued for the gradual implementation of an annual wealth tax of two percent on a person's net worth above a threshold of $80,000. Like Paine, they argued that every citizen has the right to share in the wealth accumulated by preceding generations. A redistribution of wealth, they proposed, would bolster the sense of community and common citizenship.

Samuel Bowles and Herbert Gintis (1999) also advocated wealth redistribution. They addressed problems of asymmetrical information in enterprises, schools, and elsewhere and proposed redistributions of property in order to align the incentives of owners more closely with the incentives of users. While they proposed no ban on capitalist enterprises, they favoured workplace democracy and government provision of credit to worker cooperatives.

As modern capitalist economies become more knowledge-intensive, access to education to develop skills becomes all the more important. Those deprived of such education suffer a degree of social exclusion, and, unless it is addressed, this problem is likely to get worse. Widespread skill-development policies are needed, alongside integrated measures to deal with job displacement and unemployment (Ashton and Green 1996, Crouch et al. 1999, Acemoglu and Autor 2011, 2012, Cowen 2013). Education and training are not only intrinsically important, they are also important measures to enhance social inclusion and help to reduce extreme inequality.

The problem of growing inequalities of income and wealth are now on the political agenda in many capitalist countries. While the sources and effects of inequality are multiple and complex, it is important to understand the central role that capitalist institutions play in its generation. The argument here is that the generic source of inequality within capitalism is not its markets, but principally the asymmetric access to collateralizable property, particularly the difference between waged workers and capital-owning entrepreneurs.

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