ANTI-PERFECTIONISM, MARKET ECONOMIES AND THE RIGHT TO MEANINGFUL WORK[*1]

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1. Introduction

Socialists have traditionally criticised (capitalist) market economies on at least two grounds: that they are unjust in their distribution of income and wealth, and that they damage human well-being because of the alienating, unfulfilling nature of the work they provide. But Richard Arneson, in a powerfully argued and highly influential article published over 20 years ago ('Meaningful Work and Market Socialism': Arneson 1987), maintained that socialists should direct their critical attention exclusively to issues of distributive justice, and that once the unjust inequalities normally associated with market economies have been rectified, the provision of meaningful work should be left to the market. My aim in this paper is to present a somewhat belated challenge to his arguments, and perhaps thereby to help revive this element in socialist theory.

Individuals differ, says Arneson, in the value they place on meaningful work; for some, it matters a great deal, for others little if at all. Socialists should respect these different 'preferences' (otherwise known as 'conceptions of the good'): they should not try to judge between them on the basis of some 'objective', *perfectionist* theory of the good, and then design economic institutions which would realise what is 'best'. Instead, they should concentrate on distributing justly the resources that enable people to satisfy their preferences, whatever they are, including the preference for meaningful work. And once a just distribution has been achieved – which in Arneson's view will be a broadly egalitarian one - the market can be relied upon to respond to these preferences 'fairly', in the sense of not privileging some over others. Socialists should therefore reject the idea of 'a right to meaningful work'; nor should they regard its provision as an over-riding policy goal. Instead they should accept that:

"The central issue is fairness to people with disparate preferences. The core socialist objection to a capitalist market is that people with fewer resources than others through no fault of their own

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do not have a fair chance to satisfy their preferences. The solution to this problem is not to privilege anyone's preferences but to tinker with the distribution of resources that individuals bring to market transactions". (Arneson 1987 p. 537)

This 'tinkering' with the distribution of resources is a good deal more radical than the term might lead one to expect. It involves the creation of:

"… an egalitarian market economy, framed by market socialist institutions. The economy consists of labor-managed firms that produce for a market and a state that transfers wealth and income with a view toward adjusting the positions of individuals in the direction of equality of welfare". (p 534)

These labour-managed firms are democratically controlled; capital "is either owned by each firm, or rented at competitive rates", and the members of each firm "have a collective right to decide how to employ its capital and how to dispose of its profit stream" (p 534). However, Arneson emphasises that purpose of these market socialist institutions is to remove some of the major sources of (unjust) inequality in capitalist market economies, especially its distribution of property, and not to realise a 'right to meaningful work'. [2]

How is the nature of meaningful work to be defined? Arneson recognises the diversity of such definitions, and more importantly perhaps of the reasons for which people may regard work as (at least potentially) a valuable activity.[3] But he adopts a working definition intended to capture at least much of what (socialist) advocates of meaningful work have regarded as central to this: "work that is interesting, that calls for intelligence and initiative, and that is attached to a job that gives the worker considerable freedom to decide how the work is to be done…". 'Interesting' work is itself understood as requiring "the development or exercise of the individual's intellectual or craft talents", and it must present "a moderate challenge" to these talents and skills (ie be neither too difficult nor too easy).[4] I shall largely follow Arneson in this characterisation of meaningful work, though I shall often call it *good work* instead.[5]

[2] In this he differs from some advocates of market socialism, who have endorsed labour- or self-managed firms at least partly with this aim in mind. To some extent, this 'disagreement' depends on definitional issues: Arneson does not include *participatory* democracy, an element in some definitions of 'meaningful work', in his definition of market socialism, and regards the desire for such participation as a preference that some people may have, and which some labour-managed firms may decide to cater for.

[3] See the list of seventeen reasons why work might be valued, pp 18-19. Notice that if Arneson's overall argument is correct, how to define meaningful work doesn't matter much, since no definition will identify something that must be 'privileged' over other preferences.

[4] Arneson initially introduces the concept of meaningful work via the famous 'hunting and fishing' passage in *The German Ideology*, in which communism is presented as overcoming what would now be termed the 'social' division of labour. But in the 'summary definition' of good work, it seems clear that Arneson has a less radical (and more plausible) ideal in mind – roughly, of overcoming the '*detail(ed)* division of labour'.

The structure of the paper is as follows. In the next section I set out the key elements in Arneson's overall argument, giving particular attention to his use of neo-classical concepts. In section 3, I consider a number of possible objections to the incorporation of 'good-work' preferences into the neo-classical framework he adopts, and argue that none of these are persuasive. In section 4 I introduce a different approach to understanding the possibilities for good work in market economies, based on an 'institutionalist' alternative to neo-classical economics. I then argue that the adoption of this institutionalist approach would present serious problems for Arneson's endorsement of (socialist) market economies and the principle of fairness. In the final section I discuss the implications of this alternative for the respective merits of perfectionism and welfarism.[6]

2. Arneson's argument

Arneson declares himself to be a *welfarist*: he believes that a person's good consists exclusively in the satisfaction of their preferences, whatever these may be. An important implication of welfarism, as he notes, is that the only legitimate rating or ranking of someone's preferences - the only kind of acceptable 'discrimination' between them – is that made by the person whose preferences they are. So, for example, if good work matters less to someone than high income, then 'their good' likewise consists more in high income than in good work.

When it comes to issues of public policy – and hence the use of state powers – the welfarist insists there should be no discrimination between different people's various preferences, that none should be privileged over others.[7] The state should be neutral between these: it should respect all preferences equally, and in doing so it will be respecting all people equally. The concept (and term) that Arneson mainly uses to express such ideas is *fairness*. But what does this mean in practice? Clearly, it implies the state should not use its coercive powers to prohibit or require the satisfaction of some preferences, while permitting that of others. But there is a further

Later in the article he sometimes reverts to the more radical version, to indicate how *very* 'costly' good work might be, but I will ignore this and stick with his working definition.

[5] Of course being 'good' is not the only thing that matters about work, and is less important, normatively, than (a) having any work at all, and (b) having work that is *decent*: secure, reasonably well paid, and with acceptable working conditions such as health and safety provisions, parental leave, prevention of bullying, and so on. I shall assume that all good work is also decent, and that good work should not be promoted at the expense of ('involuntary') unemployment, though achieving the latter is in practice problematic. I will not be considering *unpaid* work, especially within the household, despite its obvious importance.

[6] I shall make no attempt to take account of other work by Arneson that bears on the issues considered here, such as his defence of state-guaranteed employment as a 'matter of right', in Arneson 1990, or his later discussions of perfectionism in Arneson 2000 and 2003. My focus is on 'the position defended in Arneson 1987', and not on 'Arneson's views (in this and other publications) about meaningful work, welfarism etc'.

[7] In fact, Arneson suggests that welfarism is itself best understood as a view about how people's good should be defined *for the purposes of public policy* (see footnote 18, p 527). Thus it would be possible, in effect, to be a non-welfarist (ie perfectionist) about the good, but a welfarist about public policy.

requirement of fairness to which Arneson gives particular attention, related to the fact that the satisfaction of at least many kinds of preferences is a *costly* business.

The satisfaction of a preference is costly when it makes use of resources that could have been used to satisfy other preferences, and (kinds of) preferences differ in how costly or expensive they are. What fairness requires is that these differential costs be taken fully into account in decisions about which preferences are to be satisfied, and to what extent: it should not, as it were, be just as easy to satisfy a more expensive preference as it is a cheaper one. Thus *subsidising* certain kinds of preferences - or imposing *additional* costs on others, eg through taxation - is ruled out by the principle of fairness to which welfarists are committed.[8]

Arneson emphasises that this welfarist principle of fairness – and its specific application to preferences for good work – is only a viable basis for public policy if there is some appropriate institutional means through which it can effectively be applied.[9] This requirement, he says, can in fact be met, namely by *the market*. Thus:

"If state enforcement of meaningful work and state subsidy promoting it are unfair policies because they discriminate in favor of people who happen to have a taste for this particular good, what does constitute a fair state policy in this regard? My answer to this question is the conventional one that under familiar idealised assumptions a suitably regulated market economy respects everyone's various preferences and satisfies the liberal ideal of state neutrality. The proper goal of state policy is to help people get what they want. Insofar as distributive justice requires the state to redistribute entitlements in order to promote equality, the goal of such redistribution is to help the worse off get more of whatever they want. The market, or rather an idealised model of the market, is recommended by its efficiency; it is unfair to deny a person a good if the good can be provided to him costlessly, without loss to anyone else" (p 533).

Arneson's appeal here to the concept of (allocative) *efficiency*, with its standard neo-classical definition as Pareto-optimality, is crucial to his argument. His view that market economies enable the welfarist principle of fairness to be realised depends both on the neo-classical claim that,

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[8] This account of Arneson's reasoning involves some degree of reconstruction; in doing so I have drawn on Dworkin's seminal discussion of neutrality and markets (Dworkin 1978); see also the discussion of expensive and inexpensive tastes in Miller (1990 ch 3). Arneson's welfarist opposition to subsidising good-work preferences can be seen as analogous to neutralist liberals' opposition to *arts* subsidies.

[9] "I have urged that from a welfarist standpoint there is no reason for the state to favour some preferences, such as those for meaningful work, over any others. This claim defeats the right to meaningful work only on the assumption that without it, institutions *can* function to give all individuals a fair chance of satisfying whatever preferences they happen to have, including their meaningful work preferences". (p. 529)

subject to certain qualifications, they meet the requirements of efficiency, and on the concept of fairness having been specified in a way that ties it so closely to that of efficiency.[10]

I will consider these qualifications to the market's efficiency later. But I turn now to the other main element in Arneson's overall argument, his treatment of *perfectionism*. Perfectionists, he says, believe one can have "objective knowledge of the good life for human beings, the activities that constitute human flourishing" (p. 520). Although Arneson thinks that objective theories of the human good are unsupportable (see e.g. p. 524), he does not try to show this here. Instead he argues that no *defensible* version of perfectionism will provide any justification for a right to meaningful work. Indeed, he suggests that any such version "will tend to approximate to welfarism in practice" (p. 533): i.e. it will have the same public policy implications.[11]

This is because any defensible version of perfectionism will be *pluralistic*: it will recognise that there are many human goods, of which meaningful work is only one, and that individuals may reasonably differ in those they choose to pursue, and in the priority they give to them in their lives. Thus Arneson implicitly rejects both 'single (or dominant) good' and 'objective hierarchy' versions of perfectionism.[12] He rejects these both on general grounds and in their specific application to the good of meaningful work. So, for example, he says one cannot reasonably claim that contributions to human flourishing available in the domain of production are superior to those available through consumption (and that in any case, meaningful work is not the only possible good in the former). He thus concludes:

"… to be remotely plausible any perfectionist doctrine would have to be very unspecific or disjunctive in its content: there are many human goods any of which could serve equally well to frame a rational plan of life. But implementing the right to meaningful work elevates one particular category of good, intrinsic job satisfaction, and arbitrarily privileges that good and those people who favour it over other equally desirable goods and equally wise fans of those other goods" (pp. 524-5).

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[10] One might put this by saying that Arneson (like Dworkin) has provided neo-classical efficiency with a distinctly normative character. See also p 536, where he says that provided the benefits and burdens of economic cooperation are distributed justly (though he uses the term 'fairly', which is I think misleading), "… there is no ground for assigning individuals a further right to meaningful work beyond whatever array of meaningful work options the market happens to generate. Here further provision of meaningful work to those who have less of it would benefit them less than it would hurt others…"; also footnote 29, p 537.

[11] See p. 526 for a fuller statement of this claim; also pp. 530-533, where he argues, via a discussion of Sen's capabilities approach, that the dichotomy between perfectionism and welfarism is *exhaustive*.

[12] Specifically linking the forms(s) of perfectionism he rejects with the ideal of self-realisation, he says: "On this view, self-realisation consists in leading a life that achieves a high degree of human perfection as measured by standards of good that can be known to be objectively correct. Of the many different dimensions of self-realisation, we can know which modes are more significant, which alternatives within a mode are better… [etc]" (p. 520)

In practice, then, the (reasonable) perfectionist will have to treat the different good lives that individuals wish to pursue, including the priority they give to different goods, in the same way that the welfarist treats people's preferences. Further – and here we return to the issue of 'costliness' note earlier - this is not just a matter of 'respecting them equally' but also of 'taking costs into account'. This is argued by Arneson in his response to a possible objection to this 'practical assimilation'. The objection could be put in the following terms: 'Why regard a right to meaningful work as necessarily assuming that this is the *only* or *dominant* good? Why shouldn't one institute a right to meaningful work, and *also* rights to the various *other* goods that people (quite reasonably) value? If the sources of human well-being are indeed plural, let us ensure they are *all* available as *options* for people to pursue'.[13]

But the problem with this, Arneson thinks, is that 'making goods available' is a costly business. A society's resources are always limited, so that increasing the availability of one good is typically to reduce the availability of others. (And sometimes it is not just a matter of resources, but of other ways in which what is involved in realising one good gets in the way of realising another: see p. 526). So decisions would have to be made about priorities, about the rank-ordering of the various goods, and about the allocation of resources to each of these. Further, we know that individuals differ in how they themselves rank these goods for their own purposes, so it would be necessary to take account of these rankings in making such decisions.

So now we are back to 'the market solution'. Putting the argument in Hayekian terms (though Arneson himself does not do so): there is no way in which these kinds of decisions can be made collectively, at a societal level. Instead, they should be 'devolved' to individuals, acting within the framework of a market economy in which the price mechanism does all the necessary work - and in which, one might add, individuals are therefore required to 'bear the costs' of their decisions about which preferences to satisfy (or which conceptions of the good they decide to pursue).

However, as Arneson emphasises, the market will not always achieve efficient, and hence *fair*, outcomes; as neo-classical economists recognise, it will do so only in ideal conditions that may not actually obtain. So Arneson concludes by considering the possible implications for meaningful work of the two standard kinds of departure from these ideal conditions, namely market *imperfections* and market *failures*. In the case of imperfections, he suggests that both deficiencies in people's cognitive powers (imperfect information/processing), and labour market

[13] In this and the following two paragraphs I have interpreted Arneson's arguments somewhat freely, but with the aim of making them as persuasive as possible. See Arneson's discussion of the distinction between 'strong' and 'weak' versions of meaningful work as a right, the latter being the right to its availability as an option, and his claim that the arguments against (even) a weak right to meaningful work apply also to adopting the availability of this option as an 'over-riding' policy goal. See also the 'manna from heaven' point in Footnote 38, p. 544.

rigidities, may be expected to have some significant (though by no means overwhelming) impact. I shall put the former aside, and comment briefly on the latter.

Arneson argues that labour market rigidities may be significant because they would prevent individuals being able to negotiate deals with employers in which lower wages were accepted so that work could be more meaningful, given that the preferred form of work would be less profitable than its usual form at the normal wage. However, as he recognises in his later discussion of market *failures*, this picture of individuals negotiating for special adjustments to an existing organisation of production is somewhat unrealistic, since the features of good work that individuals wish to enjoy may often have the character of *public goods*, at the level of firms and their potential employees: that is, they can only be available for particular individuals if they are also available for everyone else. An obvious example is the speed of an assembly line.

However, Arneson argues that this public goods problem can reasonably be expected not to be a major one. This is because it will be in the interests of competing firms in a market (socialist) economy to organise themselves in a variety of different ways, each of which caters for a specific set of work-related preferences, including income, leisure, and good work: there would be incentives for these firms to develop what he calls different 'packages' of these goods.[14]

Having completed my account of Arneson's argument, I turn now to its critical assessment. In the following section, I shall consider some objections to the possibility of incorporating preferences for good work – henceforth, GWPs – within a neo-classical understanding of market economies. I will suggest that these objections are not conclusive, though they certainly raise some difficult issues.

3. 'Neo-classical markets' and good-work preferences

I will focus here on possible criticisms of Arneson's claim that a market economy can meet the requirements of welfarism (and hence also of defensible perfectionism) in its treatment of 'preferences for good work' (GWPs). In doing so I shall put aside problems of market imperfection and failure of the kind Arneson himself recognises, since my concern is with whether there are difficulties of a more radical nature for his position.[15] I will consider in turn three objections, encapsulated in the following claims: (i) that there is no such thing as 'a market

[14] Of course, for Arneson these firms are located in a market *socialist* economy, but I shall follow him in not considering arguments that this is more 'amenable' to good-work preferences than its capitalist counterpart.

[15] Notice that I talk simply of 'market economies' rather than 'market *socialist* economies', except where the differences between them might be significant; Arneson himself does not rely on the claim that this would be so with respect to the satisfaction of GWPs.

for good work'; (ii) that good work is a non-commodity-based (conception of the) good; (iii) that there is nothing inherently 'costly' about good work.

(i) *There is no market for good work.* This objection goes as follows. The way in which Arneson talks about people's varying GWPs being (potentially) met by competing firms makes it sound as if there is 'a market for good work', in the same sense as there are markets for various kinds of *consumer* goods. But surely there is no such thing as a 'market for good work'? There is, of course, a market for labour, in which workers offer their labour for sale, and employers offer wages to purchase this (and at least in a 'perfect' market, supply and demand determine its price). But in labour markets, 'good work' is not being bought and sold; if it were, one would presumably expect workers to be *paying* firms for providing this. And if there is no market for good work, how can it be claimed that market economies will treat its provision 'fairly'?

However, Arneson's discussion of the different 'packages' that can be offered by firms to potential workers provides a possible answer to this objection. In the simplest case, each package will contain a particular combination of good work, income and leisure (ie hours not to be worked). These, he says, can be seen as analogous to the various 'qualities' that are typically combined in consumer products, and which are, in effect, what the consumer is 'buying', rather than 'the product as such'. So someone 'buying a car' will be interested, say, in the combination of aesthetic style, economy of operation, and speed, and individual consumers can be expected to rank these qualities differently. There is no 'market for automobile stylishness', only for cars, but a market economy will cater efficiently for these various preferences for specific qualities. Likewise, then, although there is no 'market for good work', but only for labour, a market economy can provide efficiently (and hence fairly) for the various qualities of work – its goodness, its wages, its amount etc.

(ii) *Good work is not a commodity based preference (conception of the good).* This objection draws on an argument presented by David Miller in his discussion of 'market neutrality' (Miller 1990 ch. 3). Miller claims that market economies are *only* neutral with respect to what he calls 'commodity based' conceptions of the good (CoGs): that is, CoGs whose realisation either consists in, or depends primarily upon, the acquisition and use of purchasable products or services. Defining neutrality in roughly the same way that Arneson defines fairness, he argues that although markets are neutral as between different commodity based CoGs, they are *not* neutral as between these and CoGs that are *not* commodity based.

Miller's argument is conducted through a detailed analysis of specific cases, which I will not attempt to summarise here. But the crucial claim is that markets discriminate against non-commodity based CoGs by imposing what he calls 'disproportionate sacrifices' on those who wish to realise such CoGs: they can only realise these by giving up more than would be fair with respect to their satisfaction of *commodity* based CoGs – most obviously, by excessively reduced income.[16]

Although Miller does not himself apply this argument to GWPs, it seems 'natural' to do so, since they would presumably qualify as non-commodity based CoGs. But would such an argument then be persuasive? The most obvious difficulty is that some criterion is required by reference to which the proportionality or disproportionality of 'sacrifices' can be determined. Arneson could surely argue that if people are not prepared to give up the amount of income that would be necessary to satisfy their GWPs, this just shows that they do not value these sufficiently strongly to outweigh the sacrifices that are perfectly *fair*, given the costs of satisfying these: 'too great a sacrifice' can only mean a sacrifice they are unwilling to make. And if it were objected that this argument illicitly assimilates *non*-commodity based CoGs to *commodity* based ones, by implicitly 'putting a *price*' on the former, it might be replied that no such 'pricing' is implied: all that is being claimed is that people are able to make intelligible decisions about the priorities they will give to the achievement of different kinds of goods.[17]

(iii) *There is nothing inherently costly about good work.* Whenever Arneson talks about the satisfaction of GWPs, he draws attention to their costliness, and insists that the extent to which they are satisfied must reflect these costs; the market is endorsed because this is what it ensures. For example, in the kind of negotiation between an employer and employee which, as noted in the previous section, he thinks is prevented by labour market rigidities, he seems to have the following kind of dialogue in mind: 'I'd much prefer it if this job could be made a better one - less supervision, more use of initiative etc', to which the employer replies, 'Fine, but your wages will have to be lower, because if you work that way the firm's output would fall, or the quality of its products would be reduced, and competition would reduce our profits if we kept our prices at their current level'. And when Arneson describes the different 'packages' offered by firms, catering for workers' differently-ordered preferences, his assumption is that a package with 'better work' will have 'lower income' (just as one with 'more leisure', ie fewer hours, will).

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16 Miller's main example is of workers' cooperatives in market economies which also have capitalist firms: he argues that the value placed on certain kinds of social relationships by members of the former requires them to make undue financial sacrifices in competing with the latter, and hence that the state should provide special support for these cooperatives. How this relates to Arneson's view of market socialism is too complicated to discuss here. Miller's other example is of workers who wish to work part-time, because of the value they place on caring for children or the elderly.

17 Note that there are other ways of arguing that markets discriminate against GWPs, which do not rely on the idea of 'unfair sacrifices': e.g. Robert Lane's argument that markets prioritise consumer goods over producer goods. See Lane 1991, and my discussion of this in Keat 2000.

But why should this be so? Why should good work necessarily be 'costly', and hence have to be traded off against income? That there is something wrong with this assumption is at least suggested by the fact that (roughly speaking) in actual market economies there is typically a *positive* correlation between good work and high incomes, and between low incomes and 'bad work'. Shouldn't one expect the reverse to be the case, if people are having to 'sacrifice income for good work', or vice versa?

Admittedly, the relevance of this 'fact' is problematic, since it refers to what happens in actual, capitalist market economies, and might not hold true in Arneson's projected *egalitarian* market socialist economy, in which the former's inequalities of income and wealth are greatly reduced. However, this is not the only reason for questioning the inherent costliness of good work. Consider, for example, 'the absence of close supervision', a standard feature of such work. Robert Lane has argued that not only is this a significant source of intrinsic work-satisfaction, but that jobs differ in the extent to which their effective performance is enhanced or reduced by close supervision; likewise, systems of 'payment by results' are widely disliked by workers (who interpret them as forms of control rather than reward), but for some kinds of work they are quite effective in terms of output, whereas for others they are counter-productive (Lane 1991, chs 18-19). So in some cases, 'making work better' will be 'better for the firm', and in other cases it will not; only in the latter case is good work 'costly', and might thus lead to workers facing a choice between better work and higher income.

However, even if all this is true, it is unclear whether it provides a persuasive objection to Arneson. For although he repeatedly draws attention to the costliness of GWPs, he is arguably not committed to the claim that good work (the satisfaction of such preferences) is necessarily (or even usually) costly. Rather, he might only be claiming that *if and when it is*, this must (for the sake of fairness) be taken into account when determining the extent to which such preferences should be satisfied. (So the reason why he never mentions their possible non-costliness is that such cases are unproblematic with respect to issues of fairness).

To conclude this section: although each of these objections raises some important issues and possible difficulties for Arneson's argument, none of them appear to present insuperable problems for his attempt to incorporate GWPs into a neo-classical framework. In the following section I shall introduce a quite different approach to understanding the nature of market economies, and the possibilities for the satisfaction of GWPs that they provide. I shall do so by looking at how comparative political economists, working within a theoretical framework of *institutional*, rather than neo-classical, economics, have identified and analysed the differences between certain 'varieties of capitalism'.[18]

4. Good work and varieties of capitalism

For convenience, I shall draw mainly on Peter Hall and David Soskice's co-edited *Varieties of Capitalism* (Hall and Soskice 2001), which sets out to identify the institutional differences between what they call 'Liberal' and 'Coordinated' Market Economies (LMEs and CMEs), and explores how these different institutional arrangements impact on the organisation and behaviour of firms.[19] Theoretically speaking, the distinction between LMEs and CMEs is between economic systems which rely primarily on markets and hierarchies (in firms) as the means of economic coordination, and those in which there is also extensive use of other modes. One such additional mode is the (horizontal) *association*, enabling various forms of cooperation between different firms within the same industry. This is especially important in countries such as Germany, and I shall follow Hall and Soskice in taking this as the main example of CMEs, and the UK and USA as examples of LMEs.[20]

In Germany, industry-based associations play a central role in research and development, technology transfer, and education and training; I shall comment only on the last of these. Here we find a highly developed and part-publicly funded system of vocational training and apprenticeships, with both employers' organisations and trade unions involved in negotiating agreements on the skill categories and training protocols and in monitoring the participation of individual firms in the schemes. As a result of this training system, there is a high level of industry-specific (ie applicable across firms in the same industry, but not across industries) skills and knowledge acquired by a large proportion of the workforce.

By contrast, training and apprenticeship schemes of this kind play relatively little part in the education of workers in the UK or USA. Instead, there is a combination of formal public education, which focuses mainly on the provision of *generic* skills and knowledge (ie potentially relevant across a wide range of industries/occupations), and in-house training conducted by individual firms. A similar 'non-specificity' applies to the training of managers, where there is a

[18] In effect, my account of this work serves as a 'definition by example' of what I mean by 'institutional economics'; but see also the brief remarks about this theoretical approach in section 5 below.

[19] This account of Hall and Soskice draws on the more extensive discussion in Keat 2008a; in that paper I use their work to argue that CMEs are more conducive than LMEs to the conduct of economic production as a *practice*, in MacIntyre's sense of the term. For other institutional analyses of a broadly similar character to Hall and Soskice, see e.g. Crouch and Streeck 1993, Hollingsworth et al 1994, and Whitley 1999.

[20] Strictly speaking, Germany exemplifies one sub-type of CMEs; another is exemplified by Japan, where a different (additional) mode of coordination obtains, between members of groups or families of firms belonging to different industries; cf Hollingsworth et al 1994 on associations, networks and states, and my discussion of the two sub-types in Keat 2008a.

strong focus on generic managerial skills in the MBA qualifications held by many senior managers, by contrast with the industry-specific technical backgrounds of German managers.

This difference in the 'educational gap' between managers and workers is associated with broader differences in forms of internal governance, with firms in LMEs displaying high degrees of 'managerial prerogative' and hierarchy by comparison with more consensual forms of management in CMEs. For example, the supervisory boards of German companies, which are responsible for major strategic decisions, consist of equal numbers of employee and shareholder representatives; for lower level decisions, managers are required to consult with works councils. In the UK, by contrast, equivalent forms of representation and consultation are rare. Combined with other legally sanctioned differences, these varieties of governance are associated with higher levels of job security in CMEs than in LMEs.

There is also a broad contrast between the 'impatient capital' of LMEs and the 'patient capital' of CMEs. In the UK, the dominant shareholders are typically pension funds and similar institutions, whose holdings in any one company form only a small part of a large portfolio, and whose managers have strong incentives to switch funds in response to relatively short-term changes in company profits. In Germany, by contrast, the major shareholders are other companies and banks, whose holdings in one company form a large proportion of their total holdings, and whose concerns are often strategic as well as financial. UK companies are also more vulnerable to takeovers than their German counterparts, due partly to regulatory differences.

Hall and Soskice emphasise the *complementarities* between the various institutional elements in each kind of capitalism, ie the ways in which the specific behaviour by firms that each element facilitates or requires is reinforced by the behaviour required or facilitated by other elements. For example, firms in LMEs will often be under pressure from shareholders to rectify short-term declines in profitability, and cost-cutting measures such as shedding labour will be facilitated by managerial prerogative. For firms in CMEs such measures would be less easy to take, given the need to negotiate with workers' representatives, but their relationships with shareholders make it less likely that such measures will be required. It is therefore easier for them to make what Hall and Soskice call 'credible commitments' to employees (and likewise to suppliers and clients).

Finally, Hall and Soskice argue that these complementarities give rise to a number of overall differences between the organisation and behaviour of firms in LMEs and CMEs. For example, LME firms typically engage in *price*-based competition, by contrast with the *quality*-based competition characteristic of CMEs; closely related to this, CME firms make extensive use of highly skilled workers, whereas production in LMEs is more dependent on unskilled labour. They give particular attention to a distinction between two kinds of *innovation*, 'radical' and 'incremental'. The former involves the introduction of radically new products and ways of organising production; the latter involves gradual improvement of established products and ways of producing them, with a strong focus on quality-control and enhancement. Firms in LMEs, they argue, are especially 'well equipped' for the former, and firms in CMEs for the latter, for reasons they set out as follows:

"It will be easier to secure incremental innovation where the workforce (extending all the way down to the shop floor) is *skilled enough to come up with such innovations*, secure enough to risk *suggesting changes to products or process* that might alter their job situation, and *endowed with enough work autonomy* to see these kinds of improvements as a dimension of their job. Thus, incremental innovation should be most feasible where corporate organization provides workers with secure employment, *autonomy from close monitoring*, and *opportunities to influence the decisions of the firm*, where the skill system provides workers with *more than task-specific skills* and, ideally, *high levels of industry-specific technical skills*…. ." (Hall and Soskice 2001, p.39: my italics).

What are the implications of these contrasts between LMEs and CMEs for Arneson's endorsement of market economies as 'the fair way' to deal with good-work preferences (GWPs)? One can start by noting that the phrases I have italicised in the passage just quoted correspond closely to the features of good work specified in Arneson's working definition.[21] So if Hall and Soskice are right – at least, on my interpretation of their work and what it implies – 'good work' is more widely available in CMEs than in LMEs: there are (proportionately) more 'good work positions', with appropriate training for them.[22] Hence the prospects for individuals with GWPs being able to satisfy these preferences will likewise be better in CMEs than in LMEs.[23]

So it seems that these two kinds of (capitalist) market economy differ significantly in the extent to which they favour the satisfaction of GWPs.[24] One might put this by saying that neither of

[21] The claim that varieties of capitalism differ in this respect is not peculiar to Hall and Soskice; broadly similar claims are common in this literature. For example, Richard Whitley (1999, chs 2 and 4) distinguishes 'Taylorist' and 'negotiated responsibility' work-systems, and argues that these are characteristic, respectively, of 'compartmentalised' and 'collaborative' business systems (which correspond to LMEs and CMEs)

[22] It should be emphasised that Hall and Soskice do not themselves draw out the implications for good work preferences that I have here. Their theoretical interests (in comparative institutional advantage) are quite different from mine, and I would not wish to give the impression that my arguments are directly supported by theirs.

[23] Cf Robert Lane's depiction, in *The Market Experience*, of what he calls the 'privileged class' of workers, whose jobs offer "self-direction, substantive complexity and challenge, variety, little supervision, and intrinsic satisfaction of excellence or self-determination" (Lane 1991, p.302); if Hall and Soskice are right, the 'size' of this class will differ between CMEs and LMEs.

[24] This is not the only kind of preference they differentially favour: see Keat 2008a for further suggested differences.

them is 'neutral', in this respect, but that they differ in the direction of their respective 'biases'.[25] But these biases do not result from the kinds of interference in the market to which Arneson is opposed. There is no *subsidy* for GWPs in CMEs, nor does the state impose on firms a duty to cater for these preferences. Nor, conversely, does the state in LMEs *tax* or *penalise* GWPs, let alone prohibit firms from satisfying them. Rather, in both cases the preference-satisfaction biases are systemic, and are due to the specific institutional character of each kind of market economy.

These points can be connected to the issues about the 'costliness' of good work discussed in the previous section. LMEs and CMEs, I suggest, can be seen as differing in how costly they make the satisfaction of GWPs. That is, the different ways in which production is typically organised and conducted by firms in these two kinds of market economy, which result from broader institutional differences between them, are such that it is less costly to satisfy GWPs in CMEs than in LMEs. There is, as it were, no need to provide subsidies for jobs involving high levels of skill and work-process autonomy in CMEs, because it is precisely by providing jobs of this kind that firms are best able to operate profitably, *given* the institutional framework within which they operate. By contrast, for firms in LMEs to satisfy the same GWPs that their CME counterparts are happy to satisfy (and for the same wages) would often be less advantageous.

But if the costliness of satisfying GWPs is at least partly a function of (differing) forms of (institutionally shaped) business organisation, one cannot appeal to the principle of fairness in determining which GWPs should be satisfied, and to what extent; nor, therefore, in comparing and evaluating different kinds of capitalist market economy in terms of their fairness in this respect. If costliness is (partly) institution-dependent, then fairness is (partly) institution-relative: GWPs whose satisfaction requires what would count as unfair subsidy in one institutional context might well not do so in a different one. Judged in terms of LME cost-structures, GWPs are being unfairly subsidised in CMEs; judged in terms of CME cost-structures, GWPs are being unfairly penalised in LMEs. But neither judgment should be made, since this would ignore the institutional dependence of costs and relativity of fairness.[26]

A further implication of this argument is that one cannot rest one's hopes on 'the market', or 'a market economy', as the institutional means through which the principle of fairness – and with it, the commitment to welfarism – can be realised in practice. Or at least, one cannot do so if it is true, as I have implicitly assumed, that any *actual* market economy will necessarily have *some*

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[25] Relating this to Arneson's idea of 'different packages' being offered by different firms, my argument here would imply that different kinds of market economy will make some such packages more easily, and hence more frequently, offered than others.

[26] This does not mean that fairness judgments cannot be made 'within' each kind of economy, nor that fairness is an unimportant principle.

specific institutional form, and that these forms can differ in the kinds of ways exemplified by LMEs and CMEs.[27] For then a political choice has to be made between these different institutional forms, and instead of being able to 'leave it to the market' to determine the extent to which GWPs are satisfied, collective decisions must be taken about which kinds of preferences are to be (systemically) favoured.

5. Institutional economics and perfectionist politics

In the preceding section I have argued that if Hall and Soskice are right, and the inferences I have drawn are justified, then institutionally defined varieties of capitalist market economy differ significantly in the extent to which they favour the satisfaction of preferences for good work, and that this presents a serious challenge to Arneson's endorsement of market economies and the principle of fairness. By contrast, I argued in section 3 that there were no insuperable problems in incorporating GWPs into a neo-classical analysis of market economies, and in showing that they would thus be treated fairly if it were 'left to the market' to determine the extent of their satisfaction.

What this contrast suggests – to put it somewhat dramatically – is that Arneson's position stands or falls with the theoretical adequacy of neo-classical economics; a little less dramatically, that its plausibility would be seriously undermined if market economies were better understood, as I believe they are, in institutional, rather than neo-classical terms. This is not the place to attempt a defence of that belief, which would anyway have to begin with a lengthy discussion of different forms of institutionalism (of which there are as many varieties as there are of capitalism).[28] But there is one point of clarification about the nature of institutional economics that may be worth making here.

A standard contrast between neo-classical and institutional economics is that whereas the former 'takes preferences as given', and then explains how economic agents (including firms) act upon and respond to these, the latter takes it as one of its central tasks to show how preferences are themselves 'shaped' by institutions.[29] But this 'shaping of preferences' may be conceived in two different ways: as a process of 'social determination', in which institutions (along with other factors) impact on the desires of individuals, so that they find themselves wanting one thing rather than another; or as a process of 'potentiation', in

[27] One might argue that these are not so much 'different institutional forms of the market', as different combinations of market and non-market institutions, but I do not think this affects my overall argument.

[28] See for example North 1990, Hall and Taylor 1996, Hodgson 2000. Hall and Soskice, though (in aspects of their approach that I have omitted here) they are more sympathetic than many other comparative institutionalists to the use of game theory.

[29] Hodgson uses this contrast to distinguish what he calls the 'old' institutionalism of Commons and Veblen, from the 'new' institutionalism of Williamson and others, and endorses the former as superior to the latter. Hall and Soskice's work contains elements of both, though my use of it has excluded its 'new institutionalist' use of game theory. Lazonick's work, to which I refer in the next paragraph, belongs to the 'old' institutionalism.

which economic institutions contribute to determining what are the 'possible objects' of individuals' preferences.[30]

It is the latter that is more significant for my purposes here. It is nicely articulated, for example, in the work of William Lazonick, an institutional economist and business historian who argues that business organisations significantly influence the range of possibilities that markets make available to individuals, whether as consumers, workers or investors. "The strategies and structures of business organizations…", he says, "…determine the quality and quantity of market choices that individuals can make", and this is what neo-classical theory fails to recognise:

"According to the theory of the market economy that represents the core of neoclassical theory, markets permit individuals to make choices concerning the consumption of goods and services, the supply of their own labor power (which gives them income that can be used to purchase goods and services), and the investment of their savings…. It is the aggregation of these individual choices that, in a market-coordinated economy, determines market outcomes. Yet institutional analyses of the U.S. economy have revealed that business organizations have had profound impacts on the ways in which individuals can use markets to purchase their goods and services, sell their labor power, and invest their money" (Lazonick 1991, p. 335).[31]

If this is so, and if the strategies and structures of business organizations themselves differ as between different institutional forms of capitalism in the kinds of ways indicated by Hall and Soskice, then any political choice between these institutional forms is, *inter alia* a choice between different sets of possibilities for individuals, or at least between the general character of these sets. In particular, as I have argued, the political choice between CMEs and LMEs is partly a matter of deciding whether the possibilities for (the satisfaction of preferences for) good work are to be favoured to a greater or lesser degree. What one cannot do is to avoid the need to make this decision by 'choosing the market' and 'devolving all further choices to individuals'; instead, collective decisions are clearly required (even if only *market* economies are being considered).

Does this imply that (Arneson's) *welfarism* should be rejected, and replaced by perfectionism? Not necessarily, since one could accept what I have so far claimed but still insist that these collective political decisions are better made without reference to judgments about 'what is good or best for

[30] Of course, the two processes may both be significant: see Arneson's important discussion of preference-formation in Arneson 1987, note 38, p. 544, which I do not have space to engage with here.

[31] Likewise: "… over their lifetimes, individuals use both markets and organizations to achieve personal goals. The issue is not whether markets exist in capitalist economies – goods and services, financial securities, and even the capacity to work are exchanged on impersonal markets every day. The issue is rather how the process of economic development shapes the conditions of supply and demand and, in doing so, affects the ways in which individuals can make use of markets and the types of choices that markets can make available to individuals." (Lazonick 1991, p. 334)

humans'. Some form of 'majoritarian welfarism' might be proposed, according to which citizens are asked only to vote for whichever economic institutions seem best able to satisfy their preferences for good work (and income, leisure etc).[32] And indeed, even a perfectionist alternative to this would do well to insist that citizens take into account not only what is 'good or best for humans', but also what they themselves wish to pursue or achieve - what is 'good for them', and not just for humans in general. Otherwise they might find themselves choosing economic institutions which they correctly believe would favour the realisation of genuine goods, but ones that none of them really want that much.

So even if it is true that political choices between different economic institutions require collective decisions about the significance to be accorded to GWPs, it does not follow that these must be made on perfectionist grounds; some additional, independent argument would be needed to support this further claim, and I shall not try to provide one here. But what I have argued does, I suggest, weaken the case for welfarism and against perfectionism. This is for two reasons. First, as Arneson emphasises (see p. 4 above; Arneson 1987 p 529), the attractiveness of welfarism is dependent on there being viable institutions that enable its aims to be realised. He argues that markets do just this; but if this is only so on a neo-classical understanding of markets, and if the kind of institutional analysis of markets I have presented is theoretically preferable to this, then welfarism becomes a good deal less attractive. Second, the kinds of political decisions about economic institutions that I have argued need to be made are not ones that, *were* they to be made on a perfectionist rather than welfarist basis, would necessarily pose a serious threat to liberal principles or values.[33]

What I have in mind here is this. The principle of (state) neutrality, which has much in common with Arneson's welfarism, is often justified on the grounds that any departures from it would be inimical to individual autonomy, or at odds with basic civil rights, or would legitimise paternalistic legislation, and so on. But suppose that a political decision were made to 'institute' an economy in the form of a CME rather than an LME, at least partly on the perfectionist grounds that good work was a sufficiently valuable source of human flourishing to make the former preferable to the latter.[34] 'All that is being chosen' here are institutions that, as it were, shift the set of possible

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[32] Admittedly, those in the minority may 'suffer', but if economic institutions differ systemically in the ways I have argued, that must always be a possibility. In practice, though, given that the differences between CMEs and LMEs are in many respects 'differences of degree', it is unlikely that this minority will find reasonably attractive options entirely unavailable.

[33] Admittedly, Arneson does not himself appeal explicitly to these kinds of reasons for endorsing welfarism. But as the final paragraph below indicates, I have in mind a more general 'position' supported by many liberal political theorists, with which Arneson's arguments (in Arneson 1987) broadly accord.

[34] Of course, these are varieties of *capitalist* market economy, and hence differ from market *socialist* economies. However, one can quite easily conceive of 'varieties of market socialism', which differ from one another in largely analogous ways. Hall and Soskice also draw attention to the much greater degree of

individual choices in one direction rather than another. The state is no 'stronger' or 'more invasive' in CMEs than in LMEs;[35] the civil rights record of 'actual CMEs' such as Germany is not obviously inferior to that of LMEs, such as the UK or USA; individuals in CMEs are not legally required to engage in meaningful work, 'for their own good', and so on. Further, to the extent that individual choices are constrained by institutional arrangements, this is no more so in CMEs than in LMEs, and such constraints will obtain whether the institutions concerned are politically justified in welfarist or perfectionist terms.

To conclude, I shall point briefly to a broader framework within which the arguments I have presented in this paper can be located. There is an intellectually powerful and morally attractive form of liberal political theory which combines commitment to state neutrality with the endorsement (subject to requirements of distributive justice) of market economies, understood in neo-classical terms. I have indicated (though not justified) my opposition to two elements of this position, neutrality and neo-classicism, and my inclination to replace them by perfectionist politics and institutional economics. Would this also imply the rejection of liberalism and of market economies? I think not. Rather, I suggest, one can and should articulate a form of perfectionism that is consistent with basic liberal principles,[36] and the (political) evaluation of economic institutions should proceed in these terms. Which, if any, form of market economy then turns out to be justified remains an open question, but in answering it, judgments about the value of good work can play a legitimate part.

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income inequality in LMEs, by comparison with CMEs. But gender segregation in employment is greater in CMEs than in LMEs: see Estevez-Abe et al (2001) on generic v specific skill training systems, and their relationship to welfare systems, income inequality, and gender segregation.

[35] As Hall and Soskice (and likewise Whitley) emphasise, CMEs are not characterised by 'strong states', but rather by states willing to support 'intermediate associations'.

[36] A position that I have elsewhere (Keat 2008b) termed 'liberal(ly constrained) perfectionism'.

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