*Ownership and Hierarchy*

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1. **Introduction**

We believe the ideal of democratic equality condemns hierarchical relationships, that is, asymmetrical relations of power and authority.[[1]](#footnote-1) Should capital ownership be of concern to those committed to this ideal?[[2]](#footnote-2) Surprisingly, most of the recent theoretical literature seems to say ‘no.’ While charges against ‘capitalists’ that they ‘dominate’ society and ‘capture’ politics abound, there is no principled account of whether and how democratic equality is undermined precisely by private ownership of capital.[[3]](#footnote-3) Although concerns about campaign finance and private political contributions are widespread, they are concerns about *money*-based instrumental power that people have because they are rich, not because they own capital. Nor does the capacity for lobbying and political connections necessarily track capital ownership. Indeed, even critiques of ‘workplace hierarchy’ and ‘capitalist domination’ do not appear to concern capital ownership *per se* or its implications for democratic equality. Instead, these critiques focus on the threat to democratic equality presented by overbearing managers or ‘bosses.’ Yet, in several relevant ways that I will describe, managerial power and authority are separate from capital ownership under financialized corporate capitalism. By contrast, other theorists have condemned the domination of workers by ‘capital’ and ‘capitalists.’ However, I will argue that these critiques also cannot provide an adequate basis for worrying about concentrated capital ownership. For it turns out that they either rely on an anachronistic 19th century vision of an institutionally much simpler, classical form of capitalism, or alternativelyfocus on the ‘impersonal’ domination of market discipline at the expense of concerns about interpersonal inequalities of power and authority.

As a social-theoretically informed critique of advanced industrialized societies, this paper makes a two-fold contribution against the background of this theoretical vacuum. After clarifying the ways in which the critiques of ‘workplace hierarchy’ and ‘capitalist domination’ have stayed silent on capital ownership (Section 2), I situate the silence in the context of the institutional evolution of contemporary capitalism (Section 3). For this purpose, I construct a more accurate representation of financialized, corporation-dominated capitalism, wherein capital owners are shown to be non-dominating within the micro- and meso-level institutions of production. To anticipate, it makes little sense to say that owners ‘dominate’ or have power over workers when each joint-stock company has a diverse pool of non-majority shareholders, who are often institutional investors such as pension funds and asset management companies, and when the day-to-day authority over workers is vested in managers who have vast discretion over the content of managerial orders.[[4]](#footnote-4)

Having developed an accurate representation of contemporary capitalism characterized by separation of ownership from management, I argue in Section 4 that private capital ownership is nonetheless an essential element of the modern hierarchical economy. At the macro level of economic cooperation, it continues to serve as a unified locus of two primary incidents of property rights: (1) the right to financially benefit from economic cooperation in a concentrated, accumulative form and (2) the right to control investment and thereby control the goals and terms of economic cooperation. Furthermore, because capital ownership comes with the power to structurally constrain democratic political institutions, the threat of hierarchy it poses to democratic equality cannot be easily solved by conventional political solutions such as regulation, taxation, and redistribution. Instead, capital ownership is best understood as a peculiar *political office* in the governing regime of productive cooperation, peculiar because it resists otherwise sound requirements for democratic legitimation. In Section 5, I contrast this *office conception* of capital ownership with the widespread view of the property regime as a “background institution” (Rawls 2001: 51, 148), or as an “aspect of an environment” (Pettit 2006: 139). I argue that the office conception better enables us to understand the political meaning of ‘capital accumulation’, and to avoid the problem of tunnel vision found in treatments of workplace hierarchy that focus almost exclusively on managerial authority.

I would like to clarify the purpose of this paper before proceeding. First, I take this to be a project in social and political philosophy, not individual ethics. The point is not to identify who the capital owners are, classify individuals into one ‘class’ or another, hold them culpable for injustice, and make claims about their individual duties *within* the existing system.[[5]](#footnote-5) The goal is instead to *evaluate the system*, by considering whether and how the existing assignment of rights and obligations organizes our social cooperation in a way that frustrates the democratic ideal.[[6]](#footnote-6) Accordingly, agential references to “capital owners” are to be understood to refer to the persons *qua* incumbents of the *position* or *office* defined by the rights of capital ownership.[[7]](#footnote-7)

Second, the goal of position-focused structural evaluation informs the choice of the relevant questions. My question is not “*Who* dominates?”, with “domination” cashed out in broadly neo-republican terms, i.e., subjection to another agent’s arbitrary will or unconstrained ability to intentionally interfere with the choices of the dominated (Pettit 2012; Lovett 2022). As I shall argue, capital owners do not individually dominate workers; nor do they constitute a group agent. Instead, if we wish to develop an adequate theory of the powers conferred by capital ownership, the central task is not so much to identify the dominating *agents* under capitalism, but to articulate the nature of the superior economic *positions* in a hierarchical economic structure, by explaining the specific ways in which the rights defining these positionsenable the incumbents who wield them to constrain and direct important aspects of social cooperation.[[8]](#footnote-8) For my purposes in this paper, it is of secondary importance whether the resulting description of the interpersonal relations typical of capitalism allows redescription of these relations in terms of the subjection of particular human beings to the arbitrary power of other particular human agents.

1. **The Silence on Capital Ownership and Democratic Equality**

So much by way of overview. Let us now turn to philosophical discussions of asymmetries of power in the economic domain, and show how recent critiques of ‘workplace hierarchy’ or ‘capitalist domination’ explicitly or implicitly stay silent on capital ownership.

* 1. Liberal Relational Egalitarianism and ‘Workplace Hierarchy’

A growing number of liberal egalitarian philosophers have recently emphasized the threat to relational equality posed by hierarchy in the workplace (Hsieh 2005; Anderson 2015, 2017; Frega et al. 2019; Kolodny forthcoming; Tsuruda 2020, forthcoming; Hebenton 2022; Berkey forthcoming; Jonker forthcoming; Rozeboom forthcoming; Jonker & Rozeboom forthcoming). However, as the literature stands now, the principal concern animating critiques of the capitalist workplace has been about the extent of managerial authority to be found in a micro- or meso-level analysis of workplace institutions.[[9]](#footnote-9) By ‘micro-level analysis,’ I mean an analysis of the boss-employee relationship constituted by the boss’s power and authority to issue orders to, monitor, and sanction the employee. By ‘meso-level analysis,’ I mean an analysis of the corporate governance structure, including such elements as the power dynamics between shareholders and management. At each of these levels of analysis, the antagonists of relational egalitarian and democratic critiques have been managers and bosses, not capital owners. Theories of “workplace hierarchy” in particular have centered on the *scope* of managerial authority.

Consider Elizabeth Anderson’s account (2017), widely regarded as one of the pioneering works on workplace hierarchy. Although she initially problematizes the hierarchical structure of capitalist employment relationships, she assumes this hierarchy can be justified by the need to coordinate production and reduce transaction costs. She then turns her attention to “the sweeping scopeof employers’ authority over workers in the United States”, whose employment-at-will regime “grants the employer sweeping legal authority not only over workers’ lives at work but also over their off-duty conduct” (2017: 52-3), including the power to censor employees’ political speech on social media and inquire about their private sexual lives. As a solution, Anderson suggests introducing worker voices to the corporate board along the lines of German co-determination.

Along similar lines, Niko Kolodny frames his analysis of workplace hierarchy as an analysis of the idea that “workers have objections to certain kinds of treatment in the workplace,” or put crudely, “being bossed around” (forthcoming). The examples he discusses involve nepotistic promotion, favoritism, or the boss making an employee wash his car by threatening dismissal. He concludes that the bosses ought to use their managerial power and authority in ways that promote public interests. Likewise, Sabine Tsuruda, as she develops a liberal egalitarian theory of the workplace that targets “hierarchy in employment,” (2020: 337), focuses on “evaluating the lawful scope of employer control over employees” (2020: 335).

These are important contributions to understanding the hierarchical aspects of the workplace. However, in focusing almost exclusively on the permissible scope of managerial authority, these critiques turn out to be silent about the nature of specifically *capitalist* hierarchy. What I mean by this is that existing accounts of workplace hierarchy fail to account for the significance of capitalist workplace hierarchy in particular, as distinguished from the hierarchy that is inevitable in any kind of large-scale joint production, be it capitalist, market socialist, state socialist, or communist. Allow me to elaborate this point.

In any scheme of cooperative production that involves heterogenous groups of workers simultaneously making use of indivisible capital goods—imagine thousands of workers cooperating to operate an airport, shipyard, steel mill, or railroad—there must be a position whose incumbent makes real-time discretionary decisions, which rank-and-file workers must be expected to follow for successful production to happen. In other words, managerial authority as such is a common feature of any large-scale productive cooperation. What makes the modern workplace *capitalist* is *the end* or *interest* served by managerial authority, that is, the interests of shareholders or capital owners in the form of profit (Gaus 2009). Managers are expected and bound to *act in the best interests of* shareholders.[[10]](#footnote-10) Not only does the legal regime oblige them to do so by imposing a ‘fiduciary duty’, but market competition for attracting more capital from investors likewise pressures managers to pursue profit maximization to the benefit of shareholders.[[11]](#footnote-11) It is this institutional orientation towards ‘shareholder primacy’ that sets the capitalist workplace apart from its alternatives. Yet it is precisely this feature that is omitted from the relational egalitarian treatment of workplace hierarchy, which rarely makes reference to ‘profit’, ‘shareholders’, or ‘dividends’. For this reason, if we seek to understand what is problematic about capitalist ownership-based hierarchy in particular, we must look beyond the existing literature on relational egalitarianism.

* 1. Republicanism and ‘Capitalist Domination’

Could a critique of capital ownership draw upon the literature in the republican tradition? Philip Pettit (2006) denies the structural relevance of the property regime to republican freedom. “The property regime,” says Pettit, “can have the aspect of an environment akin to the natural environment” of having “the *contingent effect* of allowing domination (2006: 139, 141, my emphasis). However, “it will not itself be a source of domination so far as it is the cumulative, unintended effect of people’s mutual adjustments” (2006: 139). To be sure, writes Pettit, the labor market should be designed so as to prevent anyone from being dominated by any particular employer. Moreover, when inequalities become too large and the rich have the capacity to dominate the poor, redistributive “adjustments” may be necessary. However, there need be nothing dominating the property regime per se. Accordingly, from the point of view of someone concerned domination, a capitalist political economy is not, in itself, problematic.

Even when we broaden the concern to group agents, capital ownership does not seem worrisome. Group agency is often taken to require some sustained organizational structures to generate and implement shared intentions (List and Pettit 2011). Yet it is implausible to suggest that capital owners all around the globe regularly convene to deliberate and form shared intentions. Moreover, even if such meetings sometimes take place, it would be a defect of a structural anti-capital critique to *rely on* the existence of such organization and coordination. This is because the default mode of decision making under capitalism is not a group-agent-like elite coalition, but rather decentralized profit maximization under competition, which in fact constrains the possibilities for conscious coordination by allegedly ‘dominating’ capitalist agent(s).

Many republican thinkers concerned about domination under capitalism have accordingly turned to structural aspects of the economy. However, there is currently no republican account of the threat of contemporary capital ownership to democratic equality even in radical republicans’ critique of domination by ‘capital’, ‘capitalism,’ or ‘capitalists.’ On the one hand, depersonalized accounts of structural domination by ‘capital’ do not account for the *interpersonal* asymmetries in power and authority engendered by capital ownership. One example is William Clare Roberts’s account (2017), according to which the dominators are not ‘the capitalists’ but the market, such that “the dominant class in modernity, the class of capitalists, is as subject to this impersonal domination as are the laboring classes” (2017: 102). Although Roberts rightly draws attention to the fact that the power of ‘the capitalists’ is itself constrained by the capitalist economic structure, he fails to account for the ways in which the same structure simultaneously confers on them asymmetrical power over workers. Consider the following analogy. A prison warden may have his power circumscribed by the rules of the prison operation and even be compelled to exercise it in a certain way. But this fact does not make the prison itself ‘the dominator’ and the warden merely one among the dominated along the prisoners. On the contrary, the warden has asymmetrical power and authority over the prisoners, which can legitimately be problematized irrespective of the fact that the warden’s power is not absolute. Likewise, it would be premature to exclude capital ownership from the purview of *egalitarian* democratic concern just because its power is delimited by specific institutional features that generate capitalist competition.

In contrast to Roberts, other radical republicans focus on how domination is both agential and structural. They aim—rightly, in my view—at demystifying structural domination by “opening the black box” (Cicerchia 2022: 14) and giving a substantive articulation of how exactly the capitalist structure constrains economic agents. However, their contributions are limited as a critique of contemporary capital ownership. For most of these contributions target domination in the *workplace* and in the *labor market*, where workers are dominated by employers or managers, not by capital owners (Corvino 2019; O’Shea 2019; Cicerchia 2022), often obfuscating the distinction between these two economic positions with the ambiguous and anachronistic term ‘capitalist’ (Bryan and Kouris 2022). Alternatively, republican theorists assume the institutional background of 19th-century capitalism, focusing on a reconstruction of the labor republican tradition (Gourevitch 2013). It turns out, then, that contemporary capital owners, who no longer possess or exercise any of the core managerial prerogratives, are absent even from the *structural* critiques of the modern economy put forward by radical republicans.

1. **The Non-Dominating Owners: An Institutional Representation**

How should we understand this perhaps unintended neglect of capital ownership? For some, it will be tempting to attribute the silence of political theory about capital ownership to the effects of ideology. However, I believe the silence is more fruitfully understood as a failure of philosophers to catch up with the institutional evolution characteristic of financialized corporate capitalism. My task is this section will therefore be to construct a more accurate representation of contemporary financialized corporate capitalism, by describing the economic, sociological, and legal shifts that transformed the economic structure of capitalism since the late 19th century. Because capital owners are shown to be non-dominating under the evolved structures of financialized corporate capitalism, my description raises several new philosophical challenges for a theory of capital ownership. Only by properly acknowledging these challenges, I will argue, can we develop a political theory of capital ownership adequate for the understanding the moral significance of capital in the 21st century.

* 1. Micro-Level Institutions: The Boss-Employee Relationship

In the nineteenth century, capital ownership was crucial to understanding workplace hierarchy. Sole proprietorship and partnership—that is, unincorporated businesses whose shares were not publicly traded and whose owners had unlimited liability for their business operations—were the major forms of productive organization.[[12]](#footnote-12) There was a more or less neat identity between the owner of the factory and its top manager.[[13]](#footnote-13) ‘The capitalist’ was the name of the double position whose incumbent played both the role of the capital owner and that of the top manager.

Nowadays, however, corporations or joint-stock companies comprise the backbone of industrialized economies. Ownership in the form of shares or stocks is often widely dispersed across a large pool of investors. Indeed, this “dispersed ownership” has been accelerated and deepened with financialization and the rise of institutionalinvestors such as pension funds. Now the investors of a given firm are comprised of not only individual investors but alsoinstitutions—most notably asset management companies—that in turn manage other institutional investors (e.g., banks, pension funds, and insurance companies) and thousands of individual clients. This means that, even though they are in a very general sense ‘capital owners,’ individual investors lack power over the operation of the firm given the miniscule proportion of the shares they hold and the indirect and complex institutional networks that mediate their share ownership. Moreover, given diversified stock ownership across multiple firms and industries, the degree of expertise and the amount of time and energy required for understanding the production, management, and finance of a particular corporation in an advanced industry, individual investors have little incentive or capacity to learn and care about the operation of a single firm, let alone the dozens of firms in dozens of industries that most shareholders in fact own. This creates a group of individual shareholders who are far removed from the site of production. Against this background, it seems implausible to say that someone who owns a miniscule share of some firm F through a mutual fund they invested in, which in turn delegated their work to an asset management company, ‘dominates’ or ‘rules over’ an employee of F, which is one among five hundred firms they are indirectly investing in via the complex network of financial institutions.

Who then dominates workers? It is the corporate managers. It is their orders, not the shareholders’, that workers are bound to obey. From the perspective of domination, the problem now is *managerial* authority. Under these institutional circumstances, the word “capitalists” in statements such as “capitalists can still make exploitative business decisions” (Bryan and Kouris 2022: 524, 527), strictly speaking must refers not to capital owners at all, but to managers. Let us call this *the fact of non-dominating owners*.

Clarifications are in order regarding the managers or the members of “the new middle class” (Wright 1997). Some take their predominance to mark a new era of “managerial” capitalism, noting the fact that managers are technically employees of the corporation and derive a large portion of their income from labor income (Berle and Means 1991; Duménil and Lévy 2018). Yet the announcement of a completely new era seems hasty. This is because, as a matter of empirical fact, the upper-level “managerial employees” in the large corporations that dominate the contemporary capitalist economy also tend to be capital owners in that they earn large capital incomes from their capital portfolios on top of their exorbitant labor income packages (Milanović 2019). At the same time, however, there is a grain of truth in the “new middle class” hypothesis. For it is indeed inaccurate to say today’s corporate managers occupy the structural position of ‘the capitalist’ in the corporation they work for, as would be the case in some traditional forms of Marxist analysis. After all, managers’ capital incomes normally derive from *diversified* investment portfolios, not the shares of the corporation they work for, and the shares they do own in the corporation they manage rarely are large enough to make them majority shareholders.[[14]](#footnote-14) It is thus hard to say that it is *qua* capitalist that managers discipline, monitor, direct, and sanction employees. For this reason, it turns out to be inaccurate to say that shareholders dominate workers *despite* a socially important overlap in identity between the people tend to be wealthy shareholders and the people who tend to be powerful managers. Insofar as their immediate position of superiority vis-à-vis workers is concerned, then, it appears that relational egalitarians have been *right* to target managers.

What may be called the ‘managerial turn’ has been a feature of sociological studies of class since the mid-twentieth century. These studies are distinguished primarily by the point of the concept of class that the scholar is interested in. On the one hand, insofar as the concept of class is meant to track the *oppositional power relationship* between groups of persons who occupy their characteristic structural position, the focus is on the intra-firm organization of authority. A clear example is the twentieth-century sociologist Ralf Dahrendorf (1959) and his work on class conflict. On his account, class divisions are located along the divisions of authority in the workplace: those who supervise versus those who are subject to the supervisors’ authority. Ownership of the means of production is irrelevant. On the other hand, those interested in the concept of class as a variable in understanding distributive inequalities have turned to the idea of ‘social stratification’, often adopting the gradational concept of class (Grusky 1994). Instead of clearly defined, polarized classes with opposing interests, people are understood as standing somewhere on a socioeconomic continuum defined in terms of income, wealth, education, or occupational status. While capital ownership is a relevant factor here, the subject matter is no longer the shape of economic cooperation conceived in terms of power and authority.

In this way, the separation of ownership and management helps to explain the omission of capital ownership by theorists of economic hierarchy or domination. For it turns out that this omission is continuous with the ‘managerial turn’ in the social sciences that has been underway for decades. The omission does, however, give rise to a challenge for those who claim that capital ownership threatens democratic equality. Namely, anyone who thinks this must identify the institutional facts of contemporary capitalism in virtue of which capital owners rule over workers. As we have seen, the answer cannot plausibly be said to lie in the nature of the boss-employee relationship.

3.2 Meso-Level Institutions: Corporate Governance

One might suppose that the right place to look for capital owners’ position of superiority is not on the shopfloor or in office cubicles but in the boardroom. Perhaps, so the thought goes, we must look to the governance structure of the corporation to explain how shareholders ‘dominate’ managers and workers under the guise of shareholder primacy. It turns out, however, that pointing to shareholder primacy is not sufficient to demonstrate that private capital ownership gives rise to hierarchical economic relations. Whereas as the first reason is empirical, the second is conceptual.

First, it is a matter of long-standing empirical controversy whether shareholders have any significant power over managers at all. Indeed, the apparent powerlessness of the modern shareholder has been problematized in conservative and progressive accounts of corporate governance alike. Framing the issue of in terms of the so-called ‘principal-agent problem’, many conservative-leaning scholars have pointed out that most shareholders are more or less completely powerless vis-à-vis the executive managers of a corporation, for reasons including the existence of important informational asymmetries, the miniscule fraction of shares owned by each shareholder, and the obstacles to coordinating and taking collective action with other minority shareholders (Jensen and Meckling 1976). What’s more, given the (rational) resort to portfolio diversification as an investment strategy, it is not only difficult but arguably not in the interest of most individual shareholders to try to build organized power over management.[[15]](#footnote-15) By contrast, the senior manager of a corporation, who is often simultaneously the chair of the board, occupies what appears to be a *superior* position to the corporate shareholder. For unlike the shareholder, it is the manager who has the right to make decisions concerning how to apportion profits as between wages and dividends, who enjoys various important informational advantages, and who finds it easy to communicate and coordinate with workers, other managers, board members, and so on.

Meanwhile, against conservative treatments of the corporation, progressive legal scholars have recently questioned whether shareholders can even be described as “the owners of the corporation”. As a matter of fact, these legal scholars point, the legal owner of the corporation and its assets is the legal person of the corporation itself, *not* the shareholders (Robé 2011; Stout 2012). Moreover, share ownership does not give shareholders any of the rights constitutive of ownership over the corporation’s assets. Thus, shareholders lack the right to use, exclude others from, lend, borrow on, and alienate the corporate assets.[[16]](#footnote-16) Even the right to elect board members is “a political right, a voting right, intended to allow shareholders to protect their financial interest, and not a property right”, implying “no more legal title on the part of shareholders to corporate assets than voting rights imply a legal title of citizens to a country’s fighter jets, the property of the state” (Ciepley 2013). Indeed, since shareholders lack the legal authority to control directors or executives, it is not even clear whether directors and executives can plausibly be described as the “agents” of shareholders (Stout 2012).

Given these contrasting views, what should we conclude concerning the role of shareholders in the modern corporation? Setting aside the normative question concerning whether shareholder primacy is justified, notice that conservative and progressive legal scholars alike reject the idea that shareholders play a significant role in corporate governance. In other words, there appears to be little institutional basis for concluding that shareholders ‘rule over’ or ‘dominate’ managers. Shareholders may be among the principal financial beneficiaries of the corporatized economy, but this does not mean that they occupy a superior position of *power* in that economy. Here, then, we see once more the fact of non-dominating owners, this time through the lens of law and corporate governance.

Finally, we have another reason to think that shareholder primacy alone does not amount to economic hierarchy. For even if we assume that shareholders do have power over managers, such power by itself does not make an economic structure hierarchical. To see this, consider the following example. Suppose Amy works for a firm that pays dividends to Betty, and Betty works for a firm that pays dividends to Amy. And suppose this reciprocal relation holds across the economy for all participants. Then the intra-firm structure that organizes production towards the end of profit maximization would not, as such, make economic cooperation hierarchical. This argument may be pushed further by considering the general form of economic cooperation. A teacher produces benefits for students, nurses for patients, bakers for customers, technicians for users, and so on. In a primitive economy, this relation of productive benefit takes the form of barter; in a market economy, it takes the form of money; and in a corporate economy, it takes the form of profit or dividends—or so one may argue. To be sure, it may well be irrational, freedom-undermining, or for some other reason *unjustifiable* to make profit maximization the goal of productive enterprises. But that is a different claim than the claim that enterprises geared towards profit maximization render the economy *hierarchical*. The observation that I have made appear to undermine the latter claim.

However, some corporate governance theorists have recently drawn a rather different conclusion. They have argued that, in light of the apparent impotence of shareholders, we have already left behind the “private property economy” and entered a “socialized economy,” where “the means of production [is] socialized at the level of the firm” (Ciepley 2013: 146-7). I will now argue that this idea is also misguided, but to see why we will need shift from a meso-level analysis of corporate governance to a macro-level analysis of the entire economy’s functioning.

1. **The Persistent Relevance of Capital Ownership**

From a macro-level perspective, capital ownership turns out to be critical to the hierarchical organization of the economy. To be sure, rights of ownership over the means of production have indeed been disintegrated through processes financialization and the prevalence of the corporate form. However, despite the evolutionary changes to the structure of contemporary capitalism, none of the advanced industrialized economies is plausibly described as a “socialist economy” of “socialized property.” The reality is rather characterized by extremely concentrated capital ownership, with even greater concentration of capital income and ownership-based private control over investment. In particular, capital ownership continues to occupy a place at the center of contemporary economic structure as a unified locus of two important incidents of private property rights: (1) the right to benefit financially from joint social production, especially in a concentrated accumulative form, and (2) the right to exercise controlover social investment and thereby control the goals and terms of economic cooperation.

4.1 Concentrated Capital Ownership and Income

References to “dispersed ownership” or “dissolved capital” can easily give the impression that there is no more concentration of capital, period. This impression is mistaken. As Edward N. Wolff’s research on household wealth inequalities in the United States shows,

In 2019 *the richest one percent of households held more than half* of all outstanding stocks and mutual funds, financial securities, and business equity, and 40 percent of trust funds, and a little over a third of non-home real estate. *The top 10 percent as a group accounted for about 85 to 95 percent* of stock shares and mutual funds, bonds, trusts, and business equity, and about 80 percent of non-home real estate. Moreover, despite the fact that almost half of all households owned stock shares either directly or indirectly through mutual funds, trusts, or pension accounts, *the richest 10 percent controlled 85.0 percent of their total value, though less than its 93.6 percent share of directly owned stocks and mutual funds* (2021: 20, my emphases).

Remarkably, the rest of the world is not dramatically different. According to the *World Inequality Report* (Chancel et al. 2022), the top 10 percent of the population by wealth owns 60-80 percent of all of the wealth in South Asia, in East Asia, in North America, in sub-Saharan Africa, in Russia and Central Asia, and in Latin America.[[17]](#footnote-17) While Europe may seem to do better on some measures, not only do the top 10% in Europe own nearly 60 percent of all European wealth, but inequalities of *income* derived from capital are just as extreme as in the United States. Measured in terms of the Gini coefficient, inequality of capital incomes is around 0.9 in the United States and the United Kingdom, between 0.85 and 0.9 in Germany, and between 0.8 and 0.9 in Norway; and there has been little fluctuation in this number from 1975 up until 2013 (Milanović 2019: 27-30). That is, in the three European countries that represent the three varieties of capitalism, capital income inequality is close to the theoretical maximum inequality of 1 (which would mean that the entire capital income is earned by one individual or one household).

The reality of dispersed ownership is the diversified portfolio of the rich, not the socially dispersed ownership of capital. The ‘dispersion’ or ‘diversification’ may make capital owners appear powerless or even irrelevant from the point of view of a particular firm or an individual employee. It can be tempting to think that the term ‘capital owner’ has lost its point in the world where capital does not take the form of a factory but securities, with more than half of Americans owning stock directly or indirectly (Saad and Jones 2022). However, it is a merely micro- or meso-level appearance. The present reality is still marked by the scarce, privileged position of *owner of concentrated capital*, a position whom it would be unreasonable to describe a Walmart cashier as occupying simply because there is some stock in her 401(k) account. From this point onwards, I will therefore use ‘capital owners’ interchangeably with ‘owners of concentrated capital’ unless otherwise noted.

The coexistence of concentration and dispersion is key to understanding the apparent tension between the local powerlessness of capital owners *qua* firm-specific shareholders and their macro-level power *qua* owners of concentrated capital. Again, the concentration at issue does not take the form of, say, each CEO owning 70 percent of the stock of their own firm. It consists in sweeping aggregation of capital across wide-ranging firms, industries, economies, and different types of securities. A key enabler of this diversifying mechanism is the existence of financial institutions such as the stock market as well as asset management companies, mutual funds, and other institutional investors that work as ‘capital pools’ or ‘aggregators of capital.’ We thus have a reality where capital ownership is extremely concentrated and yet appears to be so dispersed that it is irrelevant to the operation of productive enterprises.

I will shortly turn to the second aspect of the ownership-based power of capital, namely, control over production. Here we first need to appreciate the way contemporary financialized capital ownership embodies one central property right, namely *the right to income* or *financial benefits* of letting others use one’s property. This right has merely changed its form—from the residual claim on a particular firm’s product to a residual claim on the *general social product* that accrues from hundreds of public corporations via publicly traded shares aggregated by investment vehicles (Mason 2022). Furthermore, given the fact that corporate equity or stock has been the asset type with the highest rate of return for decades, twice the rate of return for real estate (Wolff 2021: 68), and given the cumulative benefits that it brings when reinvested and recapitalized over time, concentrated ownership of stocks means extremely concentrated accumulation of benefits from economic cooperation. It is hardly deniable that there is a structural position in the economy that allows its incumbents to reap lopsided benefits from the production process just by virtue of these position-based rights.

These facts, although couched in distributive terms, point towards the hierarchical character of economic cooperation. If economic wealth or prosperity fell from heaven as if it were manna, its concentration would at best be a concern of distributive fairness. However, it is a collective product of our joint economic cooperation, whose burdens fall largely on those who are not part of the group of owners of concentrated capital (Stanczyk unpublished). The concentration claims to the social product gives us reason to suspect that our economic cooperation is organized as *structurally mediated servitude*, where some spend disproportionate amounts of time, energy, and effort to produce benefits that overwhelmingly accrue to others. Granting that today’s profit-oriented corporate structure *alone* need not amount to economic hierarchy, this structure appears to resemble hierarchy closely when profit is so concentrated and when there is no structural feature of the system that ensures even remotely egalitarian access to capital ownership.[[18]](#footnote-18)

4.2 The Right to Control Investment

Now consider the following challenge consisting of two steps. The first begins by noting that the owners of concentrated capital exercise at most one primary incident of property right, i.e., the right to financial benefits. Granting that they occupy a position within the economy as favored financial beneficiaries, they are far from the paradigmatic ‘capital owners’ of capitalism’s heyday, enjoying the full bundle of property rights and derive overwhelming economic power therefrom. A major reason why capital ownership in the nineteenth century mattered so much was because it gave capital owners the right to control or exclusive use of productive resources—most notably, industrial physical capital such as factories—which enabled capital owners to deprive propertyless people of the means of subsistence unless they entered employment contracts. Contemporary capital owners, by contrast, do not have the same right in any meaningful sense. In the corporate form of production, physical capital that is actually used in the production process is controlled by managers and legally owned by the corporation. If a shareholder were to try to access a factory facility or a database of a technology firm, he would be excluded or prevented from using it as any outsider would be.[[19]](#footnote-19) For this reason, capital owners appear to be just as removed from the means of production (physical capital) as workers, and therefore do not appear to occupy any superior position when it comes to control over production. If capital ownership is, in turn, narrowly understood as the right to income, then the problem posed by concentrated capital ownership is reduced to the problem of an unequal distribution of financial benefits from the social production process.[[20]](#footnote-20) Accordingly, the objection to concentrated ownership becomes easier to address, since altering the distribution of income is a task that the modern democratic state is thought to be well-positioned to solve. Through taxation and redistribution of corporate profit and capital income, the state can smooth the distribution of benefits and burdens and thereby prevent the capitalist economy from becoming an objectionable hierarchy.

Call this challenge from concentrated ownership as mere distributive injustice. In the next section, I will argue against this challenge in two steps. First, against the claim that capital owners are mere financial beneficiaries, I will show how capital ownership entitles the owners to control over production in the form of control over investment. The control over investment empowers capital owners to control the goals and terms of economic cooperation (4.2.1). Second, against the claim that the state can effectively rein in the privileges of capital ownership, I will argue that capital owners’ investment decisions *structurally constrain* democratic political institutions (4.2.2). To illustrate these abstract macro-economic mechanisms, I will elaborate the argument by reference to challenge posed by a just green transition, i.e., a decarbonization of the economy whose terms are fair to vulnerable low-income persons.

4.2.1 The control over the goals and terms of economic cooperation

By ‘control over investment,’ I mean that the decisions or preferences of the owners of concentrated capital constrain central variables of social investment such as its pace, extent, and direction. Not only do owners of capital have majority control over the total extent and direction of society-wide spending on investment, but they also decide what kinds of productive investments do or do not get financed. (I address the place of public investment below.) This power is, in effect, a power to decide what kinds of collaborative projects get to use a society’s infrastructure and labor power, and therefore also what kinds of projects get off the ground and develop. It is thereby a power to shape our economic cooperation. For example, investors’ decisions constrain whether the following projects essential to decarbonization get financed, as well as what scale and pace: technologies for cheaper and more reliable alternative energy production; rebuilding of energy infrastructure; installation of new electrical grids; low-carbon ground, air, and marine transportation; overhauling buildings and heating systems; installation of carbon capture and storage (CCS) technology on power, steel, cement, and other industrial production process; and so on. Several reports converge on an annual figure of 4-5 trillion USD in needed investments globally, in the form of existing capital investments that must be redirected and new expenditures on top of the current total.[[21]](#footnote-21) In other words, decarbonization demands financial mobilization at a scale that far exceeds the annual GDP of the entire German economy.

Here, then, capital owners have a controlling say in not only the purpose or direction of our social production but also who pays the costs and who receives the benefits. This ownership-based control over the terms of social production has been explicitly acknowledged in recent pronouncements by the CEO of BlackRock (Schatzker 2021), one of the ‘Big Three’ global asset management companies that together account for 88 percent of the total stock of S&P 500 firms. For the green transition to happen, the CEO argued, governments should “de-risk” the green energy transition for private investors, that is, make it the case that private investors will be insured against potential losses on green energy investments while reaping the benefits. In other words, the asset managers are saying to the representatives of the public, “You can’t transition without our investment, and yet we are not going to invest unless you (the state, and ultimately the taxpayer) take the losses,” while private investors take the risk-free upside (Driscoll and Blyth 2022: 100). This position is now echoed by many powerful incumbents in the corporate and financial sector, as exemplified in McKinsey & Company’s report on the green transition that calls on governments to reduce investment risks and the cost of capital (2020: 34). Moreover, it is important to note here that sourcing a corporate green-energy subsidy fund from a corporate tax hike does not offer an adequate solution. This is because a corporate tax hike would reduce the expected return to capital and thereby raise the cost of capital, when this is precisely the reason why it has been so difficult to mobilize private capital for rapid decarbonization. By contrast, if the state makes green investments ultra-profitable and risk-free along the lines of BlackRock’s and McKinsey’s suggestion, then it may enable a pathway to *a* green transition. However, the *just* green transition is taken off the table. For even if we grant that the state can induce private investment to take the desired direction, it lacks the power to dictate the distribution of burdens and benefits of the decarbonization process. In other words, it is not within the power of the state to unilaterally determine both the goal (decarbonization) and the terms (who pays the cost and who benefits).

A few clarifications are in order. First, one may wonder, ‘what about public investment?’ To be sure, no advanced capitalist economy relies solely on private investment. However, public investment is easily overshadowed when we consider its proportion in total investment and its rigidity. Across OECD countries, corporate investment accounts for more than 50 percent of total investment, and government investment is typically no more than 15 percent (OECD Data 2022).[[22]](#footnote-22) Furthermore, government investment is not easily redirectable in the way that private finance can be and often is. For instance, it would be absurd to say that a green energy investments can be publicly finance on the scale need because the government can cut the budget for public pensions, healthcare and education. On the contrary, in a capitalist economy public investment cannot be relied upon as the primary source for major economic projects. It always requires cooperation of private investors and rather functions an auxiliary, incentivizing mechanism by offering subsidies or tax incentives. Indeed, the limited role of public investment is part of what it *means* to have a privately organized economy rather than a state-led economy with publicly controlled investment. (Conversely, if the state were to *dictate* to capital owners which projects to finance instead of relying on incentivization, it would also amount to undoing a core right of capital ownership and thereby the private organization of production.)[[23]](#footnote-23)

For a vivid illustration of the status of public investment, consider the recently passed ‘Inflation Reduction Act’. Hailed as the largest climate legislation in the history of the United States, the law sets aside 390 billion USD over 10 years for green energy and other decarbonization projects. That is *39 billion USD per year* on average. To put this into perspective: JPMorgan Chase alone provided 51.3 billion USD in financing to the fossil fuel industry in a single year 2020, and 317 billion USD in 2016-20 (Arvin 2021).

So much for the idea that concentrated capital ownership sets no important constraints on what may be socially financed. A more serious challenge to my argument concerns whether it is appropriate to attribute such constraining control to millions of households who cannot be said to satisfy the condition for group agency or coordinated action. The ‘top 10 percent’, who are said to ‘control’ 85 percent of financial wealth, make up 12 million households. An individual household or capital owner exercises an insignificant degree of control over investment. Accordingly, the *prima facie* problematic power to control investment can at best be attributed to the *group* of capital owners as a whole. Yet, these individuals or households do not have any meaningful coordinating mechanism to make joint decisions about their several investments and thereby to control the goals and terms of social production. Does this not make the talk of the ‘control over investment’ by capital owners meaningless?

As a response, we can begin by noting the following. It is very common for control over important aspects of social cooperation to be vested in a *group* of people, with an individual member of the group having only limited power that seems meaningless when considered in isolation. For example, the right to legislate is vested in the legislature as a group of lawmakers, who individually lack any power to singlehandedly pass a law. Individual lawmakers nonetheless occupy a position with *prima facie* asymmetrical power and authority over ordinary citizens. For ordinary citizens as a group lack *any* power to legislate, even when acting collectively, except under special circumstances such as in the course of a referendum. To take another example, the right to choose a congressperson or the president is also vested in the electorate as a group, and the power of an individual ordinary citizen is insignificant in the sense that it is never decisive. Yet no one would say that it is therefore unproblematic that some citizens are disenfranchised. Nor do the fact of collective empowerment of *popular* sovereignty render it meaningless to draw a distinction between a citizen who has the right to vote and a non-citizen who does not.

However, it might be said that there is a relevant difference between these political cases and the investment case. Unlike investment, elections and legislation involve deliberation and coordination through sustained institutional structures, which may be thought to bring citizens or lawmakers closer to group agents. Granting that the democratic political institutions of the state may provide avenues for the constitution of group agents, I do not think this observation invalidates attribution of control to a group of individuals who are far from constituting group agency, such as capital owners. This is because we can articulate both the *sense* and the *mechanism* in which capital owners as a group have control over an important variable without resorting to any group-agent concepts or their conditions. Consider the following asymmetry between capital-owning and non-owning citizens. Suppose there are two profiles of social investment that specify the direction of investment, the types of projects to be financed, the total amount, the amount allocated for each type, the terms (benefits and costs) of investment, and so on. An example could be two trajectories of green energy investment, where one involves significant financial risk taken on by private investors and the other involves state-funded “de-risking” of the energy transition (as the CEO of BlackRock would have it). Notice that the following is true of owners of concentrated capital. *If all members of the owning group preferred one profile to the other, then the preferred profile would transpire, provided that they cared enough about it (including the willingness to pay the costs involved)*.[[24]](#footnote-24) This conditional is not true of the group of citizens who are not concentrated capital owners. Their preferences, however strong, are irrelevant to whether an investment profile transpires or not. It is simply not their place to decide the question, according to the rules of the economy. In other words, investment decisions are *prerogatives* of capital owners. This asymmetry in power can be appreciated regardless of whether any institution exists for intentional coordination and deliberation.[[25]](#footnote-25)

Suppose we understand what it *means* for capital owners as a group to have control over investment based on the asymmetry in the truth of the conditional statement. But how do they actually exercise this control? This question becomes pressing when we consider a complaint that may be raised by a progressive capital-owning individual citizen. She did not ‘vote’ for the unjust green transition. She simply makes a personal decision about finances without any intent to constrain the overall trajectory of social investment and production. In fact, she would rather share the burden of transition and it simply turned out to be hard to find a non-greenwashing ESG fund. If anything is to be faulted, it is the abuse of power by the asset management companies, she might say.

My answer to this objection constitutes my third point about the *mechanism* of decentralized control. For the economic constraining effect of private investment decisions to transpire, neither an oligopolistic organization such as the Big Three asset management companies nor individual investors’ intentional coordination is necessary. To illustrate the mechanism, let us suppose that instead of today’s asset management giants, there are only small- to middle-sized asset management firms that compete against one another. Further assume that capital owners or asset managers never gather to deliberate on policies to lobby to the government, let alone forming an organization to advocate for their interests. Even under this counterfactual scenario, private capital ownership would steer economic cooperation away from the just green transition, for two reasons. First, many needed decarbonization projects are unprofitable for investors. Second, asset managers face competition in their efforts to attract more clients and more capital.

In the report on the socially optimal pathway to achieving net-zero in Europe, McKinsey (2020) concluded that 95% of the capital expenditures required for net-zero in industry are irrational from the perspective of existing businesses; 85% of the required expenditure on buildings; 46% on energy and power. In total, about half of the required 28 trillion Euro capital outlay lacks positive investment cases. This means that individual investors, who make spending decisions based on the cost of capital and payback period expectations, would not make the choices required for the transition pathway without intervention. For the costs of transition are overwhelmingly front-loaded and yet, unlike typical projects in commercial production, the benefits are not necessarily monetizable, even in the long-run: the benefits may accrue to elements of modern life that have not been commoditized, they may lie far ahead in the future, or they may be characterized by from deep uncertainties, including whether nations across the world manage to coordinate their transition paths both smoothly and rapidly (McKinsey & Company 2022).

In short, green investment is both expensive and risky. Unsurprisingly, the rates of return for genuine, non-greenwashed investment portfolios are predictably lower than alternative portfolios. From the perspective of an individual owner, it would be unreasonable to choose a plan with lower rates of return when there is no perceivable difference in their contributions to the green transition. From the perspective of asset management companies, genuinely green portfolios predictably attract fewer clients and less capital and would make them fare worse in their competition against other companies. In this ways, privately organized investment is *by its very structure* poorly positioned to respond to a call for social transformation whose value cannot be translated into private profits.

These observations help us to see that the pronouncements of BlackRock’s CEO are not random coercive threats. Nor can they be readily dismissed as *abuse* of power, absent independent democratic principles that are to govern their decisions. On the contrary, they are a clear verbalization of the structure and function of privately organized investment in a private property economy. The giant asset managers’ power is grounded in and enabled by private ownership of capital. A primary right of ownership is the right to decide how and by whom one’s asset shall be used (Honoré 1961: 372). One cannot readily dismiss as arbitrary or unjustified the power an organization comes to have by virtue of the owners’ decisions to let it manage what they own *unless* one fundamentally objects to private ownership of capital. [[26]](#footnote-26) In the latter case, the charge of ‘abuse’ may be put in terms of non-ideal political obligation of the asset managers to use their power—which in principle should not be permitted to exist—to contribute to justice, just as slave owners have the obligation to use their power to ameliorate the injustice. However, insofar as private capital ownership is taken to be at bottom legitimate, one cannot consistently critique the power deriving from ownership-based association as ‘abuse.’ Such a critique would require an independent principle to govern the democratic organization of investment.

I believe this discussion clarifies the *sense* in which capital owners as a group can be said to control investment, the *mechanisms* through which the control operates without intentional coordination, and the institutional *consistency* of asset management companies’ exercise of power with the regime of private capital ownership. In a non-mysterious and non-arbitrary way, the position of capital ownership confers on its incumbents the investment-based power to determine the goals and terms of economic cooperation.

4.2.2 The power to constrain political decision making[[27]](#footnote-27)

One might think that regulation and reform could address the problem of capital income distribution as well as control of investment by circumscribing the rights and powers attached to capital ownership. For example, the state could hike corporate taxation, implement radical redistribution of capital income, expand government-controlled public investment, or make asset managers more accountable to the authority of the legislature or the government. I do not believe the availability of these ‘political solutions’ extinguishes the egalitarian objection to capital ownership. The problem is that the state’s power to choose and implement these options is structurally constrained by the very power they aim to rein in. Political decision making is constrained to *steer away* from decisions that undermine the interests of capital owners.[[28]](#footnote-28) The constraint operates without the need for capital owners to organize, coordinate, or intentionally aim at manipulating the political process. The power to control investment, even when individually exercised by each owner concerning only his share of capital, can be exercised to the effect that it (i) directly frustrates a goal or project determined through democratic political procedures by withholding or withdrawing the required capital investment or (ii) indirectly constrains political decision making by prohibitively raising the costs of certain options through withdrawal of investment, generating negative economic consequences such as recession.

The just green transition offers an example of the first case of direct frustration. Suppose a majority of citizens collectively decides that they want a *just* green transition. Capital owners, however unintended, frustrate the *green transition* by failing to invest in decarbonization projects. At the same time, they frustrate the *just* green transition by investing in decarbonization only on favorable terms at the expense of the interests of non-owners.[[29]](#footnote-29) It is this form of indirect, more sweeping power that has been discussed by political economists and other theorists under the concept of “the structural power of capital” or “the structural dependence of the state on capital” (Lindblom 1977, 1982; Block 1977; Przeworski 1985; Przeworski and Wallerstein 1988; Cohen and Rogers 1983; Cohen 1989; Christiano 2010; Olin Wright 2010; Culpepper and Reinke 2014; Woll 2016; Young et al. 2018; Braun 2020, 2021a, 2021b). Here is a schematic explanation of how the structural power works. Suppose the elected government announces reforms that can be expected to reduce the rate of return on capital input. Capital owners respond by withdrawing investment (or withholding further investment). The withdrawal of investment creates a drop in stock market prices, destroys “business confidence,” slows down production, lowers employment as well as output, which in turn frequently results in economic downturns or recessions. This process undermines the interests of the state decision makers in two ways (Block 1977: 15). First, their capacity to finance and secure government revenues through borrowing or taxation depends on the general condition of the economy. Second, a bad economy harms their reelection prospects as citizens experience high unemployment, supply shortages, rising price levels, and economic instability. Parties and politicians thus either renege on their promises, retracting or diluting their anti-capital reforms, or preemptively anticipate the economic consequences of bold progressive agendas and do not even dare to put them forward. Once more, there is no need for capital owners to coordinate this process. Indeed, they personally may not even want the result to happen. Nor do they need to coerce or threaten state decision makers. The economic consequences transpire simply by individual owners ‘minding their own businesses,’ that is, not investing in projects or markets that do not pay off. As the “punishment follows from the very act intended to change the system” without any agent making his mind up to intentionally punish, the structural dependence of the state on the actions and dispositions of capital owners has been famously called “an automatic punishing recoil” mechanism that is ineliminably built into the capitalist market structure (Lindblom 1982: 324-5).[[30]](#footnote-30)

The structural constraints that capital imposes on democratic politics manifests in a variety of forms. The most vivid cases involve ‘capital flight’ or wholesale capital withdrawal from a nation’s financial market in response to electoral outcomes. Historically, after a left-wing electoral victory, “stock markets punish incoming left governments” by capital flight-induced declines in stock prices, as shown by an analysis of stock market reactions in 205 elections post-1950s (Sattler 2013: 344). The more leftist the new government is, the stronger the stock market reaction; whereas right-wing electoral victories trigger the inverse reaction, including an increase in stock prices as a result of ‘boosted business confidence’. The Colombian presidential election in 2022 offers the most recent example, where the left-wing victory immediately triggered investors’ abandonment of Colombian stocks, bonds, and currency altogether (Medina and Vizcaino 2022). While major economies such as the United Kingdom, Germany, and in particular the United States are considered less vulnerable to such wholesale capital exit than the rest of the world, it is nonetheless documented that during and in the aftermath of the 2008 financial crisis, their business and finance sectors strategized disinvestment in the form of threats of ‘capital strike’ precisely in to constrain political decisions that were being contemplated in regards to financial sector reform and accountability. As everyone knows, these efforts were broadly successful, albeit to varying degrees in different countries, in producing bailouts and blocking reforms (Culpepper and Reinke 2014; Woll 2016; Young et al. 2018).[[31]](#footnote-31)

Now, recent work in comparative political economy tends to emphasize strategic deployment of structural power in the actual world, such as by businesses explicitly conditioning investment on pro-business reforms. Yet the existence of such strategic maneuvers is compatible with my claim that the structural power of capital owners does not *require* intentional coordination. In this context, it is worth noting Cornelia Woll’s finding (2016) that with respect to the post-2008 bailouts, lack of organization helped to produce *more* favorable deals for banks. Thus, while the finance sectors of France and Denmark, which were relatively organized, participated in negotiated burden-sharing arrangements, banks of Germany and Ireland remained disorganized, which helped force the governments of these countries to foot most of the bill for the crisis.

1. **The Office Conception of Capital Ownership and its Implications**

The conclusion of this paper can be in the following way. Capital ownership, like citizenship or governorship, is a *political office* with characteristic powers andprerogatives. It is a position constitutive of the social structure, whose defining right allows its incumbents to exercise institutionally mediated powers over critical aspects of social cooperation. It empowers its incumbents (or their *de facto* representatives) to control the goals and terms of economic cooperation and to steer political decision making away from undermining their financial interests. If the design of a political system is the design of *rules for political decision making,* then the design of a productive property regime is the design of *rules for economic decision making*, which in turn reciprocally constrains political decision making. ‘Capital owner’ is the name of a central office in this dual-core system of decision making.[[32]](#footnote-32)

The office conception of capital ownership contrasts with the predominant conception of capital ownership as a feature of our “background institutions” (Rawls 2001: 51, 148) or as an “aspect of an environment akin to the natural environment” that gives rise to hierarchical relationships only through “contingent effects” (Pettit 2006: 139). The central pitfall of the institution of productive property is not merely a matter of making some people ‘poor’ and others ‘rich.’ Nor is it merely a matter of the wealth of the rich ‘spilling over’ to politics because they can hire more lobbyists or make larger political donations. It is, in addition, a matter of principled assignment of power to decide what kind of society gets produced, how we distribute the burdens and benefits thereof, and what kinds of rights and interests are allowed to constrain political decision making.

The central pitfall of concentrated capital, moreover, is not simply a question of a *monopoly* of wealth and capital in “a few hands” (Rawls 2001: 53) exercising monarch-like arbitrary power. For the position of capital owner can in principle be occupied by millions of people who do not coordinate their decisions and who operate under structural constraints themselves. Capital owners can nonetheless be problematically privileged in their power over non-owning citizens, in much the same way that enfranchised citizens can be problematically privileged over disenfranchised ones.

The office conception also helps us see to the political significance of the concentrated distribution of financial benefits (Section 4.1). Most capital income is not consumed but reinvested, a process often referred to as ‘capital accumulation.’ Yet capital is the *currency of power* of the political office of capital owner. Thus the primary significance of accumulating capital does not concern growth in resources for enjoyment of consumer goods or money-based political influence. Instead, on the office conception, the complaint against capital accumulation first and foremost concerns growth in *power over others* in the *institutionalized decision-making structure* of the economy.[[33]](#footnote-33)

Moreover, the office conception puts us in a better position to understand the problems of the tunnel vision created by exclusively focusing on managerial power and authority, which was conspicuous among relational egalitarian theorists of ‘workplace hierarchy’ (Section 2). Consider an analogy to the state. Out of concern about an ordinary citizen’s subjection to the arbitrary power of street-level bureaucrats, we may come up with a standard internal to this micro-level relationship that makes it egalitarian in the best possible way. We could for example regulate the scope of bureaucratic discretion and encourage citizen voices in public agencies. However, even this *prima facie* ideal citizen-bureaucrat relationship may turn out to be unjustified when it is embedded in a broader political hierarchy. In that case, the fact that the citizen-bureaucrat relationship is internally egalitarian would not be sufficient to extinguish the complaint of the citizen to the existing political order. (Even if Bismarck had administered his welfare state regime at the street level in the most egalitarian manner, it would not have made the political order egalitarian.)

Likewise, even if internally egalitarian relationships obtained between workers and their bosses, workplace hierarchy itself may lack a proper justification as an element of the broader economic structure. Non-owning worker-citizens labor for alien goals determined by a process that does not allow fortheir participation as equals. Under this structure of institutionally mediated servitude, they may legitimately object to their subjection in the structure of productive cooperation *however well-circumscribed their bosses’ discretion is*. In this regard, omission of capital ownership makes the micro-level analyses of subjection at work problematically incomplete.

The conclusion that private ownership of capital subjects non-owning workers to asymmetrical power and authority in production does not amount to a call for total abolition of private ownership of capital. It is rather a call for a principled investigation into the role that capital ownership would play in a democratic society. We do have reason to think that a democratic society may not be realizable under a structure that keeps private capital ownership intact in its current form, given the structural character of ownership-engendered hierarchy. What exactly a society with more democratically organized production would like is, however, an open question.

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1. Inequalities of power and authority—for example, between ordinary citizens and elected lawmakers—are not necessarily *ipso facto* unjust. However, democratic equality demands special justification for such relationships, accompanied by accountability mechanisms based on reciprocal power relations. When these democratic requirements are satisfied, the relationship may be thought of as an instance of justified hierarchy, or alternatively as one that is free of hierarchy properly understood. I set this semantic issue aside in this paper. For my central claim is not that private ownership of capital is definitely unjustified but that it’s open, and surprisingly neglected, question whether the form of productive cooperation that private ownership of capital secures is in tension with the ideal of democratic equality. [↑](#footnote-ref-1)
2. By ‘capital,’ I mean economic assets that, as durable goods, are used for production of goods and services (‘physical capital’) or assets that can be monetized to purchase those goods (‘financial capital’). It will be clarified when the distinction between physical and financial capital matters. [↑](#footnote-ref-2)
3. Exceptions are Joshua Cohen (1989: 28, 42-4) and Cohen and Rogers (1983: 52-60). Section 4.2.2 can be understood as a further development of their arguments that is grounded in the institutional reality of our times. Nonetheless, in the third part of my dissertation, I depart from their regulative vision of the political morality of state-economy interdependence. [↑](#footnote-ref-3)
4. Although the corporation or joint-stock company is only one form of business organizations, I focus on the corporation and use it interchangeably with the ‘firm’ or ‘workplace’ in the context of contemporary capitalism. This is because, first, the corporation is the more difficult case for proving the relevance of ownership to the economic structure than sole proprietorship or partnership because of its complex (and often obscure) control structure. So, by focusing on the corporation, I am taking on a case that is both analytically more difficult and more central to the structure of contemporary capitalism; see e.g. (McKinsey & Company 2021) for why the corporation is by far the dominant mode of contemporary business organization. [↑](#footnote-ref-4)
5. Although I do not defend the following point in this paper, I do not think ‘class’ is best understood in terms of groups or group membership. Nor is it the *point* of ‘class’ to classify people into groups. I believe the concept of class is better understood as class *structure* with multidimensional ‘locations’ or ‘positions’ that individuals can occupy. The idea is originally due to Erik Olin Wright’s works on class, and I develop this idea in a separate project “What is (the Point of) Class?” [↑](#footnote-ref-5)
6. Put another way, the question is about the status of a ‘basic structure’ organized around private capital ownership. [↑](#footnote-ref-6)
7. A position-focused description is critical because one and the same individual can occupy different positions depending on the institutional context. For more on this, see the argument in section 3.1 on pp. 11-12 below. [↑](#footnote-ref-7)
8. From this perspective, the question of the “agent of domination” is rightly asked to the extent that it is simply a different way of asking “Who are the *right holders*?” [↑](#footnote-ref-8)
9. John Rawls’s endorsement of a regime of “property-owning democracy” is perhaps an exception in liberal egalitarianism. However, his brief discussion (2001: 139-40) leaves it unclear how exactly capital ownership threatens democratic equality; whereas the economic institutions of the recommended regime (2001: 160-1) do not speak to the organization of production but only to the organization of inheritance and consumption. [↑](#footnote-ref-9)
10. The full articulation is “in the best interests of shareholders and the corporation,” but what is meant by “the interests of the corporation” is unclear, so I will stick to an interpretation that accords primacy to shareholders. [↑](#footnote-ref-10)
11. Robert Rhee (2017) shows that shareholder primacy has become part of the legal system, based on a study of case law discussing profit maximization for the period 1900 to 2016. [↑](#footnote-ref-11)
12. Or at least they are thought to be. Even in early days of capitalism, joint-stock companies were not marginal, e.g., the British East India Company, the Imperial British East Africa Company, the Dutch East India Company, or the Hudson’s Bay Company. [↑](#footnote-ref-12)
13. ‘More or less’ because partnership allows ‘silent partners’ who do not directly manage the day-to-day operation of the firm. But when contrasted with the corporation, the identity relation between the manager and the owner is nonetheless relatively clear. [↑](#footnote-ref-13)
14. Admittedly the ‘dual-class (or multi-class) stock structure’, where company stocks are classified into different classes with unequal voting rights, sometimes allows non-majority shareholders (typically founders or insider executives) to exercise majority control. However, I will set it aside in this paper for the following reasons. It is controversial whether the dual-class structure is a constitutive feature of capitalist economies. It has been highly criticized even by conservatives as a violation of the basic tenet of shareholder capitalism. Institutional investors have sought to have it prohibited by the government, resulting in the decisions of benchmark equity indexes such as the S&P 500 to exclude dual- or multi-class stocks from its listings. [↑](#footnote-ref-14)
15. This is compatible with the fact that there exist some institutional avenues for shareholders to pressure the management, which occasionally allow instances of ‘shareholder activism.’ [↑](#footnote-ref-15)
16. Ciepley (2013), in my view inaccurately, includes in this list the right to profit from it in use or sale. Shareholders have the right to financial income from the corporate profit. And directors are legally required to maximize shareholder value when they sell a public company to a private owner (Stout 2012). [↑](#footnote-ref-16)
17. Data about financial wealth in specific were unavailable. [↑](#footnote-ref-17)
18. This concern about servitude speaks to what is often expressed in terms of the ‘exploitative’ character of capitalist economy. To be clear, it is far from the concerns of non-Marxian accounts of exploitation, where one party exploits another’s vulnerability in (not necessarily institutionally mediated) transactions. It is also distinct from the Marx-inspired concerns based on labor theory of value; notions of desert or claim that comes with being a producer of a certain product; coercion against the working class; or as in John Roemer’s account (1982), counterfactuals about alternative distribution of means of production. My concern comes closest to Nicholas Vrousalis’s account of exploitation as “dividend of domination” (2013, 2021), which takes the hierarchy of power as primary and the resultant asymmetrical distribution of product as secondary and derivative. [↑](#footnote-ref-18)
19. In this respect, the conventional Marxist language that takes workers’ vulnerability to consist in “separation from the means of production”—the physical capital put to use during the production process—and the resultant inability to produce for oneself is not accurate under the institutional landscape of contemporary capitalism. [↑](#footnote-ref-19)
20. This description is largely true of the academic treatment of capital ownership in economics (Piketty 2014, 2019; Saez & Zucman 2014, 2020; Wolff 2021; Milanović 2019; Lockwood 2021). [↑](#footnote-ref-20)
21. According to the International Energy Agency (IEA 2021), annual investment in energy should expand to $5 trillion by 2030, which roughly corresponds to 4.5% of world GDP. According to Bloomberg New Energy Outlook report (Bloomberg Finance 2022), investment must triple from current $755 billion in 2021 on their estimate to annual average of $2.06 trillion between 2022-5, and then double to annual average of $4.19 trillion over 2026-30. McKinsey (2022) calls for new investment worth $ 3.5 trillion and redirection of investment worth $ 1 trillion from high- to low-emission assets, adding up to $ 4.5 trillion per year. [↑](#footnote-ref-21)
22. In Canada, Luxemburg, and Australia, government investment is above 15 percent, but even in these countries, corporate investment exceeds 40 percent. [↑](#footnote-ref-22)
23. Here, sovereign wealth funds—such as Norway’s Government Pension Fund, China Investment Cooperation, Abu Dhabi Investment Authority, or Hong Kong Monetary Authority Investment Portfolio, Alaska Permanent Fund, to name a few—occupy an interesting place. To the extent that they are state-owned and -controlled, they potentially foreshadow the non-capitalist vision of public investment. However, as things stand, not only are they marginal in most liberal democracies but also they are far from the channel for democratic investment, even engaging in pro-management voting behaviors to the detriment of public interests. [↑](#footnote-ref-23)
24. This is a simplified application of Sean Ingham’s definition of “control” (2018: 62). A group has some control over a variable if, for some pairs of values that the variable might take,

    (∗) if all members of the group preferred one value to the other, then the variable would not assume the less preferred value, provided the members of the group cared enough about the variable (relative to other variables they also care about).

    All else being equal, the group has more control over the variable, the less weight its members have to attach to the variable in order for condition (∗) to hold, and the greater the range of pairs of possible values for which condition (∗) holds. [↑](#footnote-ref-24)
25. One may think the non-owners can influence investment through the state. But this route of influence is severely compromised because the state is structurally constrained by the capital owners’ decisions. See Section 4.2.2. [↑](#footnote-ref-25)
26. One might think the principle can simply be found by obligating the asset management firms to obey the democratic will. This is in effect what Thomas Christiano (2010) suggests, although he does not address asset management but business enterprises. In my working paper “Is the Structural Dependence of the State on Capital a Problem of Capitalist Insubordination?”, I argue that this solution is inadequate because the structural power of capital owners constrains the democratic *will formation*. [↑](#footnote-ref-26)
27. This subsection serves as a bridge to Part II of my dissertation, where I argue the democratic state is structurally constrained by the organization of production in its power, legitimacy, and knowledge. [↑](#footnote-ref-27)
28. To emphasize, the claim is not that capital owners have a sweeping “veto” power over laws or policies in general, although this is a common way of speaking among Marxists. (Note the denial of general veto power is compatible with the possibility of capital ownership to be exercised to practically veto particular policy goals.) [↑](#footnote-ref-28)
29. Again, this cannot be solved by *obligating* capital owners to cooperate with the state for the realization of the democratically chosen aim due to the structural constraint on the choice of democratic aims. See footnote 31. [↑](#footnote-ref-29)
30. Lindblom attributes the “automatic punishing recoil” to the market structure as such, irrespective of private capital ownership. His reason is that the same mechanism would be present even among state-owned enterprises insofar as they compete in the market. I disagree with Lindblom on this point. He underestimates the extent to which state-owned enterprises’ behavior can be constrained by the state. [↑](#footnote-ref-30)
31. There is a question whether exit continues to be available for asset management giants since the shares they own are too great to credibly threat exit. However, the precise point that makes exit less credible, namely large-scale aggregation of capital, gives asset management companies control-based power vis-à-vis corporations and governments. See Braun (2021a, 2021b) on asset management companies’ structural power. [↑](#footnote-ref-31)
32. My dissertation develops a more systematic and extended argument for the claim of dual-core constitution of the political order. [↑](#footnote-ref-32)
33. This structure of power accumulation in capital ownership is analogous to the case of a head of government who uses his current executive powers to further increase his power. [↑](#footnote-ref-33)