*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 or its implications for democratic equality. On the one hand, while some stress the threat to democratic equality presented by overbearing managers or ‘bosses,’ managerial power and authority are separate from capital ownership under financialized corporate capitalism. On the other hand, other theorists have condemned the domination by ‘capital’ and ‘capitalists.’ However, they either rely on an anachronistic 19th-century vision of an institutionally much simpler, classical form of capitalism orfocus on ‘impersonal’ domination of market discipline at the expense of concerns about interpersonal inequalities of power and authority.

As a social-theoretically informed normative critique of advanced industrialized societies, this paper makes a two-fold contribution against the background of this theoretical vacuum. After I clarify 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). I construct an accurate representation of financialized, corporation-led capitalism, wherein capital owners are shown to be non-dominating in 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 authority over workers are vested in managers.[[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 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. Further, 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. Capital ownership is a *political office* in the governing regime of productive cooperation. In Section 5, I contrast the *office conception* of capital ownership with the widespread view of property regime as a “background institution” (Rawls 2001: 51, 148) or an “aspect of an environment” (Pettit 2006: 139). The office conception also enables us to understand the political meaning of ‘capital accumulation’ and the problem of the tunnel vision created by the focus 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’ rather than another, hold them culpable for injustice, or make claims about their individual duties *within the existing system*.[[5]](#footnote-5) The goal is to *evaluate this given 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) Agential references such as “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-based 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). Capital owners do not individually dominate workers; nor do they constitute a group agent. For a theory of the power of capital ownership, the central task is not identification of dominating *agents* but construction of a normatively and descriptively accurate representation of the hierarchically organized economic positions. More precisely, the task is (i) to articulate the *positions* with their characteristic *rights* assigned by the economic structure and (ii) to articulate the *powers* attached to the positions, that is, the specific ways in which the rights *enable* the incumbents *to constrain important aspects of social cooperation*.[[8]](#footnote-8) For my purpose in this paper, it is of secondary importance whether the resulting substantive account allows redescription in terms of subjection to arbitrary power of certain agents.

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

This section offers a brief overview of the recent discussions on asymmetries of power and authority in the economic domain and shows how the 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, their concern is largely exhausted by the concern about managerial authority and power in the micro- or meso-level analysis of the workplace.[[9]](#footnote-9) By the ‘micro-level analysis,’ I mean the analysis of the boss-employee relationship constituted by the boss’s power and authority to issue orders to, monitor, and sanction the employee. By the ‘meso-level analysis,’ I mean the analysis of the corporate governance structure such as the power dynamics between shareholders and the management. At both levels of analysis, the protagonist of relational critiques has been managers and bosses, not capital owners. These theories of “workplace hierarchy” have in particular centered on the *scope* of managerial authority.

Consider Elizabeth Anderson’s account (2017), which is 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 is easily justified by the need to coordinate production and reduce transaction costs. Then she turns the 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) such as censoring employees’ political speech on personal social media or inquiring about their private sexual lives. And she suggests as a solution introducing worker voices to the corporate board along the lines of German Co-determination. For another example, Niko Kolodny frames his analysis of workplace hierarchy as 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 contribution to understanding the hierarchical aspects of the workplace. However, the way they almost invariably frame the question in terms of the permissible scope of managerial authority makes them problematic as a critique of the *capitalist* work relations. That is, they fail to account for the capitalist workplace hierarchy as distinguished from the hierarchy that is inevitable in any kind of large-scale joint production, whether it is capitalist, market socialist, state socialist, or communist. To elaborate, 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 railroads—there must be a position whose incumbent makes real-time discretionary decisions, which rank-and-file workers are expected to follow for any successful production to happen. Managerial authority is a common feature of any large-scale productive cooperation. What makes the 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 in the form of ‘fiduciary duty’ oblige them to do so but market competition for attracting more investors pressures them to pursue profit maximization.[[11]](#footnote-11) This institutional orientation towards ‘shareholder primacy’ sets the capitalist workplace apart from its alternatives. Yet it is completely omitted in the relational egalitarian treatment of workplace hierarchy, which rarely makes any reference to ‘profit’, ‘shareholders’, or ‘dividend’. For this reason, we cannot seek a critique of capital ownership-based hierarchy in relational egalitarianism, at least as it stands now. Critical analysis of managerial authority does not equal that of private capital ownership.

* 1. Republicanism and ‘Capitalist Domination’

Could a critique of capital ownership draw upon the literature in the republican tradition? Philip Pettit (2006) denies that 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). For sure, labor market should function well to prevent anyone from being dominated by a particular employer. And when inequalities become too large, giving the rich the capacity to dominate the poor, redistributive “adjustments” would be necessary. But there is no principled concern about domination that is grounded in structural features of the property regime.

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 not only implausible to suggest that millions of capital owners regularly convene to deliberate and form shared intentions. *Even if* it existed, it would be a defect of a structural anti-capital critique to *rely on* the existence of such organization. This is because the default mode of decision making under capitalism is not not group-agent-like elite coalition but decentralized profit maximization under competition, which in fact constrains the 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 dominator is 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. The warden nonetheless has asymmetrical power and authority over the prisoners, which may legitimately be problematized irrespective of the fact that the warden’s power is not utterly unconstrained. 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.

Other radical republicans, in contrast to Roberts, focused on how such domination is both agential and structural. They aim at—rightly, in my view—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. Most 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), or obfuscate the distinction between the two positions with the anachronistically ambiguous term ‘the capitalist’ (Bryan and Kouris 2022). Alternatively, they assume the institutional background of 19th-century capitalism, focusing on reconstruction of the labor republican tradition (Gourevitch 2013). Contemporary capital owners are absent even in the structural theories of radical republicans.

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

How should we understand the silence on capital ownership? For some, it can be tempting to simply attribute it to ideology. However, I believe it is more fruitfully understood as a philosophical expression of the evolved institutions of financialized corporate capitalism. In this section, based on the economic, sociological, and legal shifts in the economic structure since the 19th century, I construct an accurate representation of contemporary financialized corporate capitalism based on separation of ownership from management. Because capital owners are shown to be non-dominating , the representation raises philosophical challenges for a theory of power of capital ownership to be developed in Section 4. Only by properly acknowledging these challenges can we develop a political theory of capital ownership adequate for capital in the 21st century.

* 1. The 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—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, corporations or joint-stock companies comprise the backbone of industrialized economies. Their ownership in the form of shares or stocks is often widely dispersed across a large pool of investors. This “dispersed ownership” has been accelerated and deepened with financialization and the rise of *institutional* investors 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 would 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 would have very little incentive to learn and care about the operation of a single firm. 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. The problem now is the *managerial* authority. Under these institutional circumstances, “capitalists” as in “the discretionary power of capitalists in the workplace” or “capitalists can still make exploitative business decisions” (Bryan and Kouris 2022: 524, 527) refer to managers, not capital owners. 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 they 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). To be clear, the announcement of a completely new era seems hasty. This is because, as a matter of empirical fact, these “managerial employees” also tend to be capital owners in that they earn large capital income from their capital portfolio on top of their exorbitant pay packages (Milanović 2019). However, it is inaccurate to say they occupy the structural position of ‘the capitalist’ *in the corporation they work for* as in the traditional Marxist analysis. Their capital income normally derives from diversified portfolios, not the shares of the corporation they work for, and the shares they do own rarely are large enough to make them majority shareholders.[[14]](#footnote-14) It is thus hard to say that it is *qua* capitalist that they discipline, monitor, direct, and sanction employees. In this regard, it is inaccurate to say that shareholders dominate the workers despite the overlap in identity between shareholders and capital owners. Insofar as the immediate position of superiority vis-à-vis workers is concerned, relational egalitarians are right to target managers.

What may be called ‘managerial shift’ has been present in sociological studies of class since mid-twentieth century, which have bifurcated depending on the point of the concept of class one is interested in. On the one hand, insofar as the concept of class was meant to track the *oppositional power relationship* between groups of persons who occupy their characteristic structural position, the focus was turned to the intra-firm organization of authority. A very 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 anyone versus those who are subject to the supervisors’ authority. Ownership of means of production is *irrelevant*. On the other hand, those interested in the concept of class as a variable in understanding distributive inequalities 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 the socioeconomic continuum 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 in terms of power and authority.

The separation of ownership and management offers a contextual justification for the omission of capital ownership by theorists of economic hierarchy or domination. It continues the managerial shift in social sciences that has been underway for decades. It simultaneously gives rise to a challenge for those who claim that capital ownership threatens democratic equality. They must identify the institutional facts of contemporary capitalism in virtue of which capital owners rule over workers. The answer does not lie in the boss-employee relationship.

3.2 The Meso-Level Institutions: Corporate Governance

One might say that the right place to look for capital owners is not the shopfloor or office cubicles but the boardroom. We, the suggestion goes, need to look into the governance structure of the corporation, where shareholders ‘dominate’ managers and workers under the tenet of shareholder primacy. However, simply pointing out shareholder primacy is not sufficient to demonstrate that private capital ownership gives rise to hierarchical economic relations. The first reason is factual; the second is conceptual. First, it is highly controversial whether shareholders have the power over managers, whether practically or legally. It has been problematized in both conservative and progressive sides of corporate governance. As it has often been theorized by conservative scholars in terms of the ‘principal-agent problem,’ an individual shareholder is basically powerless vis-à-vis the executive managers due to informational asymmetries, the miniscule amount of share she owns, and the obstacles to coordinating and taking a collective action with other shareholders (Jensen and Meckling 1976). Again, given the norm of diversification of investment, it is both difficult and irrational for individual shareholders to try to exercise organized power over management.[[15]](#footnote-15) In contrast, the manager, who is often simultaneously the chair of the board, arguably occupies a superior position given their right to apportion gains and benefits (including wages and dividends), informational advantages, the relative ease of communicating and coordinating with other board members, and so on.

Progressive legal scholars, on the other hand, have attacked the legal status of shareholders as “the owners of the corporation,” which the conservatives have taken for granted and built their case for shareholder primacy on (Friedman 1970). As a matter of fact, the legal owner of the corporation or its assets is the corporation itself, not the shareholders (Robé 2011; Stout 2012). And share ownership does not give shareholders any of the rights constitutive of ownership over the corporation’s assets. For example, they lack the right to use, exclude others from, lend, borrow on, or 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). It has also been pointed out that shareholders lack the legal authority to control directors or executives, who are therefore not “agents” of the shareholders properly speaking (Stout 2012).

The point is not to adjudicate the *normative* debate but to draw attention to the *descriptive* point shared by both sides, which is that there is no institutional basis on which to say shareholders ‘rule over’ or ‘dominate’ managers. They may end up with larger pies as financial beneficiaries, but it does not mean they occupy a superior position of power in the economy. Here we see again the fact of non-dominating owners, this time presented in the language of law and corporate governance.

Further, we have a separate conceptual reason to think that shareholder primacy alone does not amount to economic hierarchy. *Even if* we assume that shareholders had power over managers, that power by itself would not show that our economic structure is hierarchical. Consider the following schematic case. Suppose Amy works for a firm that pays dividends to Betty, and Betty works for a firm that pays dividends to Amy. Suppose this reciprocal relation holds across the economy for all participants. Then the intra-firm structure that organizes production for profit maximization *as such* would not make economic cooperation hierarchical. The 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 the list goes on. In primitive economy, it may have taken the barter form; in market economy, it takes the form of money; and in corporate economy, it takes the form of profit or dividends—or so one may argue. For sure, it may well be *irrational*, *freedom-undermining*, or for some other reason *unjustifiable* to make profit maximization the goal of productive enterprises. But it is a different claim to say that it makes the economy *hierarchical*.

It is notable in this context that some corporate governance theorists argue that we have moved past the “private property economy” into a “socialized economy,” where “the means of production [is] socialized at the level of the firm” (Ciepley 2013: 146-7). To see why this claim is misguided, we must move from the meso- to the macro-level. We need to see, from the bird’s-eye point of view, how *the economy* works.

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

From the macro-level perspective, not the perspective of a single corporation, capital ownership continues to be critical to the hierarchical organization of the economy. Despite the apparent disintegration of the paradigmatic ownership of means of production by financialization and the corporate form of production, none of the advanced industrialized economies is close to the “socialist economy” of “socialized property.” The reality is rather characterized by extremely concentrated capital ownership with even greater concentration of capital income and the ownership-based private control over investment. Capital ownership continues to occupy a central structural place 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

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

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).

The rest of the world is not dramatically different. According to the World Inequality Report (Chancel et al. 2022), the top 10 percent owns 60-80 percent of the wealth across South and South-East Asia, East Asia, North America, sub-Saharan Africa, Russia and Central Asia, and Latin America.[[17]](#footnote-17) While Europe may seem to do better on some measures, not only does its top 10 percent’s ownership of wealth still come close to 60 percent but also inequalities in *capital income* are just as extreme as in the United States. Measured in Gini coefficient, it 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 to 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 means 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*, in which it would be unreasonable to include a Walmart cashier simply because there is some stock involved in her 401(k) account. From here, I will 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 financial institutions such as the stock market as well as asset management companies, mutual funds, 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, 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. It only has changed its form from the residual claim on a particular firm’s product to the residual claim on *general social product* that accrues from hundreds of public corporations via publicly traded shares aggregated by investment vehicles (Mason 2022). Further, given the fact that corporate equity or stock has been the asset type with the highest rate of return for decades, twice of the rate of return for real estate (Wolff 2021: 68), and given the accumulative 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 their positional right.

These facts, although couched in distributive terms, point towards the hierarchical character of economic cooperation. If economic wealth or prosperity fell from heaven like manna, its concentration would at best be a concern of distributive fairness. However, it is collective product of our joint economic cooperation, whose burden largely falls on those who are not part of the group of owners of concentrated capital (Stanczyk unpublished). The concentration of social product gives us reason to suspect that our economic cooperation is organized as *structurally mediated servitude*, where some spend disproportionate amount of time, energy, and effort to produce benefits that overwhelmingly accrue to others. Granting that the profit-oriented corporate structure *alone* need not amount to economic hierarchy, it seems to approach hierarchy very closely when the 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 in two steps. First, one 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’ in the classical sense, who enjoy the full bundle of property rights and derive overwhelming economic power therefrom. To explain, ownership is standardly understood to consist in a bundle of rights such as the right to use the property, the right to exclude others from using it, the right to manage or determine who can use it for which purpose, the right to compensation in the case of damage, immunity from expropriation, and so on (Honoré 1961). A major reason why capital ownership of the classical ‘capitalists’ deeply mattered was because it gave them the right to control or exclusive use of productive resources—most notably, industrial physical capital such as factories—which enabled them to exclude propertyless people from using it unless they entered employment contract. Contemporary capital owners do not have this 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 tech firm, he would be excluded or prevented from using it as any outsider would be.[[19]](#footnote-19) Capital owners, one may argue, are just as ‘separated’ from the means of production (physical capital) as workers. They do not occupy any superior position when it comes to control over production.

Once capital ownership is narrowly understood as the right to income, the problem is narrowed to unequal distribution of financial benefits from social production process.[[20]](#footnote-20) This makes the charge of hierarchy lighter since it is a problem 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 a hierarchy.

I will argue against the foregoing 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* the democratic political institutions (4.2.2). For a vivid illustration of these abstract macro-economic mechanisms, I will explain the case in terms of the just green transition, i.e., the decarbonization of the economy whose terms are fair to the vulnerable low-income.

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 direction, amount, and pace of financing. Not only do they have majority control over the total amount or direction of society-wide spending on investment but also what kinds of productive assets get financed. (I shortly address the place of public investment.) This is in effect to decide what kinds of collaborative projects secure the infrastructure and labor power, get off the ground and develop, and thereby shape our economic cooperation. For example, investors’ decisions constrain whether the following projects essential to decarbonization—rather than fossil-fuel or cryptocurrency projects—get financed, at which scale and pace: the technology for cheaper and more reliable alternative energy production; rebuilding of energy infrastructure; installation of new electrical grids; low-carbon transportation from land to marine to air; overhauling buildings and heating systems; installation of carbon capture and storage (CCS) technology on power, steel, cement, and other industrial production process; and the list goes on. Several reports converge on 4-5 trillion USD per year globally, both in the form of redirecting part of the existing investment and completely new expenditure on top of the current total investment.[[21]](#footnote-21) That is, decarbonization demands financial mobilization at a scale that far exceeds the annual GDP of the entire German economy.

Here, 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 expressed by the recent pronouncements by the CEO of BlackRock (Schatzker 2021). BlackRock is 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, he argued, the states should “de-risk” the transition, that is, insure the private investors against potential losses on current assets and future bets. The asset managers are in other words saying, “You can’t transition without our investment, and we are not going to invest unless you (the state, and ultimately the taxpayer) take the losses,” while private investors take the upper side of the investment, risk-free (Driscoll and Blyth 2022: 100). This is echoed by the corporate and financial sector, as exemplified in McKinsey & Company’s report on green transition that calls on the governments to reduce investment risks and the cost of capital (2020: 34). Here, notice that sourcing the state fund from corporate tax hike does not offer an adequate solution. This is because corporate tax hike would reduce the expected return of capital input and raise the cost of capital, when this is precisely the reason why it has been so difficult to mobilize private capital for rapid decarbonization. If the state makes green investment ultra-profitable and risk-free along the lines of BlackRock’s and McKinsey’s suggestion, it may enable a pathway for *a* green transition but the *just* green transition is taken off the table. 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).

Clarifications are in order. First, one may wonder, ‘what about public investment?’ For sure, no advanced capitalist economy solely relies 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 below or around 15 percent (OECD Data 2022).[[22]](#footnote-22) Further, government investment is not as versatile and redirectable as private finance since it is mostly devoted to projects that are essential yet not profitable from the business perspective such as infrastructure, research and development, and education. It would be absurd to say public finance can pull off green finance because the government can cut the budget for K-12 education. 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. (Similarly, if the state were to *dictate* which project to finance instead of relying on incentivization, it would also amount to undoing the right of capital owners and 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,’ which is hailed as the largest climate legislation in the history of the United States. It set 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 financed 51.3 billion to fossil fuel industry in a single year 2020, and 317 billion during 2016-20 (Arvin 2021).

A more serious skepticism concerns whether it is appropriate to attribute control to millions of households who are nowhere near group agency or even a temporary joint action. The ‘top 10 percent’, who is said to ‘control’ 85 percent of financial wealth, is 12 million households. An individual household or capital owner exercises an insignificant degree of control over investment. 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 collective investment and thereby to control the goals and terms of social production. Does this not make the talk of ‘control over investment’ 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 congress 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. Ordinary citizens as a group *even collectively* lack power to legislate except for circumstances such as a referendum. 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 and has almost zero decisiveness. But no one would say that it is therefore unproblematic that some citizens are disenfranchised. Nor does it make the distinction between a citizen and a non-citizen in terms of the right to vote meaningless.

There is a difference, one might say, between the 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 constitution of group agents, I do not think this 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 investment, where one involves significant risk taking on the part of private investors and the other involves state-funded derisking. Notice that the following obtains 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 non-owning group. Their preferences, however strong, are irrelevant to whether an investment profile transpires or not. It is simply not their place to decide according to the rules of the economy. 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. (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.)

Suppose we can 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 the 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.

Answering this objection comprises 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 there were 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. It primary has to do with two facts. First, decarbonization projects are generally unprofitable for investors. Second, asset managers are under competition for attracting 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 the businesses; 85% of the required expenditure in buildings; 46% in energy and power. In total, about half of the required 28 trillion-euro capital outlay lacks positive investment cases. It 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. The costs of transition are overwhelmingly front-loaded. Yet, unlike typical projects in commercial production, the benefits are not necessarily monetizable because they may not be transacted through markets, lie far ahead in the future, and suffer varieties of uncertainties including but not limited to whether nations and sectors across the world manage to coordinate their transition paths both smoothly and rapidly (McKinsey & Company 2022).

In short, green investment is expensive and risky. The rates of return for non-greenwashing green investment portfolios are predictably lower than alternative portfolios. Further, even if we assume the good intentions on the part of both asset managers and individual clients to rule out so-called “data cherry picking”, it would be immensely costly to all parties with respect to time, energy, and effort to communicate and process the entire information about concrete decarbonization efforts by businesses and financial institutions. 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, non-greenwashing green portfolios predictably attract less clients and capital and would make them fare worse in their competition against other companies. Privately organized investment is *by structure* poorly positioned to respond to a call for social transformation whose value cannot be translated into private profits.

This helps us 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 govern their decisions. They are clear verbalization of the structure of privately organized investment. 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. [[25]](#footnote-25) 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 critique would require an independent principle for 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 within 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[[26]](#footnote-26)

One might think that regulations and reforms could address the problem in capital income distribution and 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 congress 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.[[27]](#footnote-27) And again, 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 about 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 decided that they want the just green transition. Capital owners, however unintended, frustrate the *green transition* by failing to invest in decarbonization projects. They frustrate the *just* green transition by investing in decarbonization only on favorable terms at the expense of the interests of non-owners.[[28]](#footnote-28) But it is the other case of the indirect yet more sweeping exercise of power that has received attention of political economists and 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, employment, and supply, which 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, bad economy harms their reelection prospects as citizens experience high unemployment, supply shortages, rising price levels, and economic instability. Parties and politicians *either* renege on their promises, retracting or diluting their anti-capital reforms, *or* preemptively anticipates the economic consequences and do not even dare to put forward bold progressive agendas. There is no need for capital owners to coordinate this process. 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 has been famously called “an automatic punishing recoil” that is *built into* the capitalist market structure (Lindblom 1982: 324-5).[[29]](#footnote-29)

The structural constraint of capital on 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 drop of stock prices as shown by the analysis of stock market reactions to 205 elections post-1950s (Sattler 2013: 344). The more leftist the new government is, the stronger the stock market reaction is; and right-wing electoral victories trigger the inverse reaction such as the increase in stock prices with ‘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 sector strategized disinvestment in the form of ‘capital strike’ to constrain political decisions from structural financial reforms and accountability in favor of historical bank bailouts by taxpayers’ money, to varying degrees depending the comparative institutional circumstances (Culpepper and Reinke 2014; Woll 2016; Young et al. 2018).[[30]](#footnote-30) These recent works in comparative political economy tend to emphasize intentional strategization of structural power in the actual world such as the businesses explicitly conditioning investment on pro-business reforms. But the empirical documentation of strategization is compatible with the claim of this paper that the structural power does not *require* intentional coordination. In this context, it is worth noting Cornelia Woll’s finding (2016) that with respect to post-2008 bailouts, the lack of organization contributed to more favorable deals for banks. The finance sector of France and Denmark, which was relatively organized, participated in negotiation and burden-sharing arrangements, while banks of Germany and Ireland remained disorganized and inactive, which led to their government footing the bill.

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

The conclusion of this paper can be put this way. Capital ownership, like citizenship or governorship, is a *political office* with its characteristic *prerogatives*. It is a position constitutive of the 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 interests. If the design of a political system is the design of *rules for political decision making,* 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.[[31]](#footnote-31)

The office conception of capital ownership contrasts with the predominant conception of capital ownership or property regime as a feature of “background institutions” (Rawls 2001: 51, 148) or “the aspect of an environment akin to the natural environment” that only by “contingent effects” gives rise to hierarchical relationships (Pettit 2006: 139). The institution of productive property is not merely a matter of making people ‘poor’ and ‘rich.’ Nor is it a matter of the rich’s wealth ‘spilling over’ to politics because they can hire more lobbyists or make more donation. It is a matter of principled assignment of power to decide what kind of society gets produced, how we distribute burdens and benefits thereof, and what kinds of rights and interests are allowed to constrain political decision making. Nor is it simply a matter of *monopoly* of wealth and capital in “a few hands” (Rawls 2001: 53) who exercise monarch- or slave master-like arbitrary power. The position of capital ownership can be occupied by millions of people who do not coordinate their decisions and who are under structural constraints themselves. It can nonetheless be problematically privileged in terms of power over non-owning citizens in a similar manner that we would problematize the privileged position of enfranchised citizens, however many and dispersed, over disenfranchised citizens.

The office conception also helps us see the political significance of the concentrated distribution of financial benefits (Section 4.1). Most of capital income is not consumed but reinvested, which is 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 influences. 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.[[32]](#footnote-32)

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 in 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 bureaucrat 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 may still lack a proper justification to rank-and-file workers in virtue of being embedded in the broader *economic* hierarchy. Non-owning worker-citizens labor for alien goals under disproportionate terms determined by the process that does not allow their 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, susceptible of subversion in justification from without.

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 of democratic theory into the subject matter of capital ownership. 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 the ownership-engendered hierarchy. I nonetheless believe that a principled theoretical investigation involves commitment to going beyond a simple dichotomy between the labels of ‘public’ and ‘private,’ in favor of fine-grained reimagination of the principles and the institutions for democratically organized production.

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1. Certainly, simple 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 the democratic requirements are satisfied, the relationship may be labeled either as ‘justified hierarchy’ or not referred to as ‘hierarchy’ at all. I set this labeling issue aside in this paper. For the claim is not that the private capital ownership is conclusively unjustified but that it structures productive cooperation into a form of hierarchy for which there is a question as to whether the democratic requirements are applicable. [↑](#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 more argumentatively difficult and thus shows more if the argument is sound. Second, it is the dominant form of business organization, accounting for the majority of total value added as in the global aggregate GDP (McKinsey & Company 2021). [↑](#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 ‘basic structure’ organized around private capital ownership. [↑](#footnote-ref-6)
7. This position-based description becomes critical because one and the same individual can occupy different positions depending on the institutional context. See the argument in 3.1 on pp. 11-2. [↑](#footnote-ref-7)
8. From this perspective, the question of “agent of domination” is rightly asked to the extent that it is a different way of asking “Who are the *right holders*?” [↑](#footnote-ref-8)
9. John Rawls’s endorsement of the regime of “property-owning democracy” could be an exception in liberal egalitarianism. However, his brief discussion (2001: 139-40) does not offer a substantive explanation of how exactly capital ownership threatens democratic equality; his justification wavers between the value of self-sufficient capacity of the least advantaged to "manage [one's] own affairs" and the ownership-based control over social life; and the economic institutions of the regime (2001: 160-1) do not speak to organization of production but only 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 highly debatable and unclear, so I stick to the interpretation according to standard shareholder capitalism. [↑](#footnote-ref-10)
11. Robert Rhee (2017) shows that shareholder primacy has become part of the legal system, based on the empirical 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 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-25)
26. 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-26)
27. 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-27)
28. 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-28)
29. 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-29)
30. 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-30)
31. My dissertation develops a more systematic and extended argument for the claim of dual-core constitution of the political order. [↑](#footnote-ref-31)
32. 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-32)