

Testing the Value of Solidarity and Implementation of Social Cohesion Policies

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Abstract

The aim of our project will be that of identifying a model of socially sustainable economic development. In doing so, we will refer to two well-established fields of research: ethics and economics. More specifically, this project will concern with the relationship between the two. The importance of normative framework for economic arrangements has received much attention in recent researches. So far, however, the proposed solutions seem to be at best partial, and are considered unsatisfactory by a large number of specialists. For the framework being developed in this project, by socially sustainable development we will intend a kind of development able to generate a virtuous economic process leading to broader social cohesion than the one generated by present-day economic processes. In turn, the ideal of social cohesion expresses the capability of the society 'to keep itself up, to cooperate, and to foster the harmonic and productive coexistence among all the social strata.' (Signorino, G. 2003) If this is so, it follows that the ideal of social cohesion refers to the community's ability to develop virtuous behaviors aimed at facilitating the inclusion of all of its members within the social and economic circuits, to enhance participation to the active life of the community (including the willingness to fulfill others' needs), and to contribute to the management of the community itself. In order to attain such a tall order it is required that the system of social cooperation be based on a *Contract of Mutual Solidarity (CMS)*, according to which all the members of a given system of social cooperation should benefit from it according to their needs as well as voluntarily contribute to it according to their ability. (Orsi, C. E. 2004, Ramsay, M. 1997) In these terms, the achievement of the desired tall order presupposes a very high level of social equality and social cooperation.

Unfortunately, actually existing economic processes constantly tend to undermine the requirements of both social equality and social cooperation by perpetrating forms of domination and oppression. Under these circumstances, it is apparent that *CMS* can hardly be realised. Since the individualistic logic which shape contemporary market societies grounds its legitimation in the formula 'first come, first served' prevails, the social contract which bounds all those who live in these societies might be rightly defined as a *Contract of Mutual Indifference (CMI)*. Not surprisingly, by undermining social equality and social cooperation among social actors, each of them advancing to the expense of others, *CMI* tends to annihilate mutual solidarity while generating social dislocation. Building upon the above reasoning, in the last few years we have developed a definition of an ideally just system of social cooperation grounded on the values of self-determination and self-development. The normative basis upon which the ideal of social cohesion stemming from the values of self-determination and self-development is grounded in an ideal of social inclusion for which equal membership would mean that no one is denied access to activities and practices that are central in the life of society. (Gray, J. 2000; Pateman, C. 2002) At present, however, our proposal has to be extended in several directions; especially we would like to investigate which kind of economic processes are better equipped to bring about a sufficient level of social equality and cooperation for the achievement of *CMS*. Therefore, building upon alternative ontological and ethical foundations, we intend to achieve the following objectives:

- ? ***Identify an alternative approach to economics stemming from the ideal of justice as self-development and self-determination;***
- ? ***Elaborate a description of a model of economic development able to satisfy the moral requirements arising from the alternative approach to morality (plural model of economic development);***
- ? ***Suggest policy recommendations aimed at achieving the required level of social equality and social cooperation necessary to replace CMI with CMS, and test them via both a macroeconomic model and an heterogeneous agent-based model (computer simulation approach);***

The State of Art

1 - **Alternative approach to morality** - The importance of identifying a strong ethical framework supporting a model of economic development able to bring about a higher level of social cohesion has been widely underlined in recent researches. The reflections proposed so far, however, have been perceived by a large number of authors partial and thereby unsatisfactory. (Young, I. M. 2001; Gould, C. C. 1988; Orsi, C. E. 2004, and 2004b; Hutton, W. 2003; Allett, M. 2003; Went, R. 2003) This perception has been reinforced by the recently published ILO Report on *The Social Dimension of Globalisation*. Here, the drafters have clearly underlined the lack of a strong ethical framework as a major fault because this negatively impacts upon the whole body social since actually existing economic processes tend to evade social justice matters as such. Actually existing economic processes, they claim, have 'developed in an ethical vacuum, where market success and failure tend to become the ultimate standard of behaviour, and where the attitude of 'the winner takes all weakens the fabric of communities and societies.' (ILO, 2004) Moving from the recognition that one of the most urgent challenges of our times concerns the need to repair the social fracture generated by actually existing economic processes, many authors have tried to carve out alternative approaches to morality. (Orsi, C. E. 2004, 2004b, Young, I. M. 1999 and 2001) In the attempt to bring back the social dimension within the sphere of economic analysis, they move from a critical evaluation of the morality lying at the basis of market-oriented processes to a conception of a just system of social cooperation able to overcome certain inconsistencies inherent in that position.

However, before reflecting upon what may be the most appropriate way in which the desired system of social cooperation ought to organise its economic activity these authors felt the necessity to further specify what should be meant by the formula '*ideally just system of social cooperation*'. For the framework being utilised further on in this project, system of social cooperation will be understood as the territory across which people develop their social relations, work, spare time, and so on. So conceived, the terms 'community' and 'system of social cooperation' can be rightly taken as synonymous. Drawing from a wide range of literature, they propose that an ideally just system of social cooperation is the one within which all its members are enabled to act and independently choose the course of their life and to develop and exercise their capacities and abilities. (Newman, S. 1994; Young, I. M. 1990 and 2000; Gould, C. C. 1988, Galston, W. 1980) For the purpose of the framework being developed in their analyses, these two ideals have been respectively named self-determination and self-development. (Young, I. M. 2000) So conceived, the notion of justice raises fundamental issues concerning people's well-being, making it a particularly suitable concept for addressing socio-economic issues and problems. Utilised as a tool for socio-economic analysis, this ideal of justice allows to focus on a broad range of issues that are pivotal to the lives of millions of human beings, including the way in which they might organise their economic activities. Not surprisingly at all, the achievement of justice as self-development and self-determination requires high levels of social equality and social cooperation among people.

These authors, however, recognise that reality is far from what these two ideals would require. Under actually existing economic processes, two general conditions of injustice, namely domination and oppression, correspond to the above-mentioned ideals of justice. (Young, I. M. 1990 and 2001, Orsi, C. E. 2004) As Young puts it, domination should be understood as 'institutional constraints on self-determination', namely a condition under which persons or groups of person 'live within structures of domination if others persons or groups can determine without reciprocation the conditions of their action, either directly or by virtue of the structural consequences of their actions.' Oppression, on the other hand, should be understood as 'institutional constraints on self-development', namely persons or groups are oppressed in so far as they are impeded in developing and exercising their capacities or express their experience. (Young, I. M. 1999) In the philosophical section, we will try to identify a normative approach to economics stemming from the alternative conception of justice as self-development and self-determination

2 - **Economics for an Ideally Just Community** - The notion of sustainable development came to the fora of discussion since late 1960. As it is widely known, the problem of the physical limits to economic growth has been underlined by a restrict group of researchers belonging to the MIT (Massachusetts Institute of Technology) mobilized by The Club of Rome. Since then, many social scientists have underlined the fact that in a society made of solipsistic and self-interested individuals, the model of economic development might lead to a failure as myopic behaviors might easily prevail. In particular they claimed that, if the maximization of utility would be intended as the ability to obtain the maximum from what one has, then the risk is that such a maximization on the part of some would necessary imply the impossibility for others to do the same. This, they claimed, cannot be a sustainable model of economic development because the social contract upon which market-oriented processes are based (*CSI*), rather than promoting the best possible equilibrium condition, even if not Paretian efficient, tends to undermine the very root of social equality and cooperation. However, at present the most utilized definition of sustainability can be traced back to the Brundtland Report.

Similarly to the above orientation, this report defined sustainability as a level of development able to guarantee to the future generations the enjoyment of equal opportunities of production and consumption to those enjoyed by the

previous generation. The concept of development offered by the Brundtland Commission has been criticized by development researchers for being too normative, too imprecise, and impossible to operationalised. Further on, in spite of its many strengths, it has been criticized for having limited strategy recommendations mainly to moral requests which, furthermore, are not addressed to anyone in particular.

A more theoretical approach to economic development occurs also within the sphere of political theory. However, up until recently, disagreements between political theorists debating over the determinants of economic development have almost always turned on the proper boundaries between state and market. Some leftist scholars have argued that the imperfect functioning of the markets requires the guidance of the state. (Weale, A. 1982; Goodin, R. G. 1982) Conversely, libertarian thinkers, championing the efficiency of the markets in allocating resources towards their most productive uses have decried the distortion accompanying any form of state intervention. (Acton, H. B. 1971; Hayek, von F. A. 1960 and 1976; Nozick, R. 1974) Both perspectives have placed little attention on the role that civil society may play in economic development. On the contrary, when focusing their analyses on the role that civil society might play in this regard, both strands of thought find common agreement around a negative assessment of the economic impact of a self-organized civil society. Which model of economic development might be able to foster social cohesion? In the attempt to overcome the shortcoming of previously revised theoretical models of development and stemming from the alternative approach to morality we will defend, we will introduce the notion of 'socially sustainable' development.

3 - Policy Recommendations - Once the above task will be accomplished, our research will not terminate here. In fact, moving from the premises that if the promotion of justice and socially sustainable development requires renewed and richer distribution of both power and resources, we will try to answer the question: What are the structural policies that might facilitate the shift from market-oriented arrangements to those fostering a far more cohesive and inclusive system of social cooperation based on a sense of community and membership grounded on reciprocal solidarity across social distance? In the attempt to answer this question, in many argued that the shift toward the desired system of social cooperation requires the implementation of two structural policies. More specifically, such a shift, they claimed, requires the introduction of what many authors commonly name 'Universal Basic Income', (henceforth UBI), alongside the introduction of shorter working hours with no loss in earnings. (Plant, R. 2002; Van Parijs, P. 1996 and 2002; Bauman Z. Op. Cit., 1999; Offe, K. 1996, Pateman, C. 2002; Fumagalli, A. 2000; Gorz, A. Op. Cit., 1999 and 1988; Asnar, G. 1994; Laille, J. - L. 1998.)

3.1 - **Basic Income** - In the last 15-20 years, the debate concerning the necessity to provide an income with no string attached has been developed by many scholars. Not surprisingly at all, such a debate come to the fora when, as a result of the failure of the Fordist paradigm, Keynes' model of welfare State begun to be dismantled. The definitions, as well as the ways of distributing an UBI, proposed by the scholars significantly differ. Three are the theoretical approaches. The first is the one proposed by classical liberals like Milton Friedman. Such an approach is based upon the idea of "income negative tax". From this point of view, the functions of the state should be reduced to the minimum, in the sense that redistributive policies should be implemented automatically, considering a negative tax sulle aliquote dei redditi, progressive in kind. In such a case, all those who are under the threshold of relative poverty, on the one side, should not pay taxes, on the other, the State should pay the difference necessary to reach the threshold of relative poverty. This is carried out with a dismantling of the welfare system. That is, all have to pay for public services (schooling, health), whit the sole exception of the administration of justice and defense.

The second theoretical approach moves from the acknowledgment both of the failure of actually existing welfare systems and of the fact that the processes of flexibilisation of work might entail the existence of the so-called working poor. As a result, to a person who cannot sell her labour power, or when the income obtained for her contribution in the labour market is too low, it becomes necessary to provide a continuity of income. In this case, rather than speaking of UBI, it would be better to speak of guaranteed income. With such an expression, the authors refer to the distribution of an income only to poor people, who by definition do not have any income. Such a distribution is independent from any work undertaken, does not require any offset on the part of those who receive it, and it last until the person remain under the threshold of poverty. By its very definition, this is an unconditioned but not universal economic intervention. A soften version is named guaranteed wage. (Delors Commission, 1990, Supiot Report, 2003) Differently from the guaranteed income, the guaranteed wage is provided for a limited period of time to those who are unemployed, although no string are attached to it.

The third approach refers to the idea that a person's income must be universal, unconditional, and temporally unlimited. Such an orientation, which is the one adopted in this project, lies at the heart of researches promoted by Bien (Basic Income European Network) in Europe and by Usbig (United States Basic Income Guarantee) in North America. The most influential scholar approaching the matter in this way is Philippe Van Parijs (1988, ...). According to this perspective, to both social and ethical reasons, related to social equality and to those related to the full enjoyment of citizenship, it is possible to add economic reasons, as a result of the processes of transformation of the paradigm of accumulation and labour organization characterizing the economic system in the last 25 years. Building upon this latter

body of literature, we will try to show that, being consonant with our ethical premises, UBI is not only a viable redistributive policy able to face with the challenge posed by the new paradigm of flexible accumulation (Fumagalli, 2000, Gorz, 2003), but also, and probably more important, just in principle.

In addition to the theoretical approaches previously revised, the literature offers also a limited range empirical studies looking at the impact of basic income upon output and employment. Most of these analyses dealt with the fields of ethics and political science rather than that of economics. Nevertheless, the economic literature has investigated the extent to which basic income might be considered as a tool against poverty and the problems of its implementation in the fiscal structure (Atkinson 1995b; Atkinson e Morgensen 1993; Chiappero, 2001). As far as the analyses of the impact of basic income on labour market are concerned, we consider five articles (Bowles 1992; Van der Linden 1997; Kesenne 1993; Serati 2001; Groot 1999).

In Bowles' work (Bowles, 1992), is shown that, in presence of asymmetric information and efficiency wages, the provision of a basic income might increase both the employment rate and the efficiency of the labour market. In this context, if basic income substitutes unemployment grants, the "reserved wage" of workers will tend to decrease with negative effect on market and therefore it should be lower than relative poverty line. The intensity of this mechanism is negatively correlated to the amount of basic income, given a certain level of conflict between firms and workers. Therefore, Bowles suggests that basic income should not be higher than the poverty line. Van der Linden (Van der Linden, 1997) analyses the different schemes of basic income (with different impact) in a context characterized by monopolistic trade union and perfect information. Unemployment rate in equilibrium is negatively correlated with a "partial" basic income and results lower than one which will be in presence unemployment benefits. If the basic income level is too high and universal (with risk-adverters workers), the bargaining power of the monopolistic Trade Union will lead to an increase of wages with negative impact on employment. Also Kesenne (Kesenne, 1993), via a macroeconomic simulation process, concludes that a basic income, which substitutes every already existing unemployment benefits, can generate a *crowding out effect* in labour market if its level is too high. This effect is due both to the existence of an "income effect" which reduces labour supply and to the increase of fiscal pressure. A negative effect on labour supply is verified by Groot (Groot, 1999), too, especially if the amount of basic income is too high. Groot considers a dual labour market with efficiency wages. In this case, basic income is compatible with a lower unemployment rate but with lower income for unemployees (if basic income, as usual, substitutes every unemployment benefits and it is of modest entity), higher wages and less income polarization. Last but not least, the model presented by Serati (Serati, 2001), based on the model by Layard (Layard, Nickel, Jackman), shows that the introduction of a basic income has positive results as far as employment level is considered; Serati introduces basic income in two stages: first, as an individual sum of money given to each citizen; second, as process of financing the basic income, via the elimination of unemployment benefits and an increase in fiscal pressure. The results are the following: the introduction of basic income is neutral on the labour market, with no significant changes in the labour supply. Instead, the elimination of unemployment benefits implies a positive and permanent answer on employment, whilst the increase of fiscal pressure denotes for the first three years a negative impact, but in the long run non relevant effects on employment. Hence, the final result is positive.

Even if different, this literature presents homogenous aspects: the keynesian perspective (existence of unemployment), the present of efficiency wages and rigidity in labour market, imperfect and asymmetric information (with the only exception by Van der Linden), and, overall, decreasing returns of scale. This latter hypothesis is the more relevant. The two main results, which consist in the fact that basic income is positive only if not too high or just a little below the relative poverty line and that basic income plays a substitutive role with unemployment benefits are valid only in presence of decreasing returns of scale.

In our opinion, it is necessary to consider the role played by dynamic scale economics, linked to information technology and knowledge process in areas characterised by the diffused presence of material and immaterial industrial and service activity. As we'll show later on, in presence of a new type of Kaldor-Verdoorn law, it is reasonable to assume increasing returns, based on learning approaches and network production. In this context, in our proposal of a macroeconomics formalized model, it is possible to hypothesize a virtuous circle among basic income, increasing productivity (via knowledge and network externalities), output and employment. It is in this direction that we consider the broader and more universalistic definition of basic income

Reduction of Working Hours With no Loss in Earning - The analyses of the main theoretical models evaluating the impact on employment of a reduction of working hours conduct to indeterminate results: they depend on peculiar hypothesis about the number of hours actually worked, the use of production factors, the productivity of labour, the wages, the technologies in the production function as well as about the behaviour of the economic agents. The reduction of working hours is possible and coherent with historical evolution: Keynes remarked (Keynes, 1926; Lunghini, 1998) that the capitalistic trend of development would allow to hypothesize a working-day reduced to 3 or 4 hours. According to Keynes' prediction, in just over thirty years from the time he was writing humans, being freed from pressing economic needs, might find himself be left to face with problems such as how to use their renewed freedom, how to occupy the leisure time; in a nutshell, how to live wisely and well. However, for many reasons, it is a long, arduous path, as Keynes

himself mentioned. There must be a high rate of capital accumulation, with neither civil conflicts nor wars or exceptional demographic increases.

Referring to a model of costs minimization with an endogenous determination of the effective working hours, it is possible that a reduction of working hours leads to an increased rate of employment, but only if the overtime reward grows when the effective overtime hours grow, or case the firm decides not to ask the workers for overtime hours (angle solution). Except these two cases, the presence of workers fixed costs will get more profitable to increase effective hours while reducing the number of employees (substitution effect) (Calmfors and Hoel, 1989; Rrunetta and Venturini, 1986; Chies and Trombetta, 1997; Fortin, 1989; empirical evidence are reviewed by Hart and Wilson). Similar results have been obtained by models of profits maximization with endogenous determination of the effective working hours (Calmfors and Hoel, 1989; Contensou, 1980; Houpis, 1993; empirical evidence are reviewed by Bodo and Giannini, 1985).

Concerning monopolistic syndicate's models (with optimizing firm) we have conflicting results: in some analysis (Booth e Schianatarelli 1988) the participation of trade unions in the decision-making process does not lead to results that are different from the ones reached with an optimizing firm. Indeed, the researches forecast an increase of the effective working time by an increase of the overtimes along with a decrease of the employment. In other analysis (Houpis, 1993) in partial equilibrium under the assumption of a constant mark up, when a reduction of working hours is called for, trade unions very unlikely will ask for an increased hourly wage. If hours are initially at (or above) their optimal level for individual member, a reduction of working hours will vary according to the effective increase of the employment rate. The divergence rests upon the different evaluation of the sign and the relevance given by the indirect effect (that works by the endogenous change of hourly wages) of the standard hours decrease on the employment: in fact in the second case we consider that the syndicate's workers would accept to accompany the work sharing 's measure with an income sharing.

Referring to efficiency wages models (with involuntary unemployment equilibrium) we have indeterminate results on employment effects (Schmidt-Sorensen 1991; Corneo, 1994). Disequilibrium models, instead, consent to distinguish between classical unemployment and Keynesian unemployment (Toedter, 1988): here, the effects upon employment consequent to a reduction of working hours depend on the kind of rationing occurring both in the labour and in the commodities' markets; both the negative effect on employment, that we have in the classical case, and the positive effect, that we have in the Keynesian case, depend on the inclination of what is produced (and of the hours spent for manufacturing it) to vary in response of the reduction of working hours. The results arising from a model which assume wages determined by the free bargaining between firms and workers (search-matching models) show the existence of a conflict between the former and the latter upon the regulation of working hours. In such a case, positive employment outcome seem to depend on workers' preferences regarding matters such as free time and consumption. The degree of compensation related to a reduction of working hours is considered by the economic theory one of the main factor for determining the employment results: when workers accept low wages, the effects on employment might be reasonably positive.

All the above-mentioned models derive the *disequilibrium* of the labour market from some imperfections inherent to market processes as well as from the behavioral assumptions of the economic agents. Keynes and, most recently Pasinetti (Keynes 1936, Pasinetti, 1981 and 1993) criticized these models. Pasinetti, building a dynamic economic model that considers at structural level both technological and demand's changes, suggests a more suitable approach. In Pasinetti's view, both technological and demand's changes are the principle factors which determine employment's dynamics. In this sense, Pasinetti's analysis can be said a call for a radical change: 'La scelta fra una maggiore quantità (o qualità) di merci e il tempo libero non è solo una possibilità, ma una necessità, se si deve mantenere il pieno impiego. Non esiste l'alternativa della non-scelta" (Pasinetti, 1981). Building upon this vast body of literature, we will try to show that, being consonant with our ethical premises, the introduction of a structural policy as the reduction of working hours with no loss in earning is not only a viable policy able to face with the challenge posed by the re-emergence of mass unemployment, but also ethically sound. Our analytical proposal leads to a dynamic macro-economic model showing the impact of a reduction of working hours on employment, prices level and productivity of the economic system.

1 - **Alternative Approach to Morality: the Requirements of Self-determination and Self-development** - Our project is written with the conviction that the normative apparatus - the ontological and ethical foundations - which shape the system of social cooperation endorsed by free-market advocates is ill-suited both to the task of understanding our present condition and that of envisioning a desirable future. With a coherent morality, and social and economic institutions grounded upon that morality, it is our conviction that the human condition can be ameliorated. Thus, at the heart of this part of the project is the notion of the philosophical justification for social and economic practices, placing particular attention upon the related structural policies needed to attain an ideally just system of social cooperation. Given the negative consequences generated by the social contract informing market-oriented societies (*CMI*), at philosophical level some questions arise. What are the implications for political philosophy of the predominance of this renewed form of *laissez-faire* capitalism, entailing deregulated markets that constantly fail to meet the requirements of both social equality and social cooperation, undermining the very roots of social cohesion? More specifically, what is the role of political philosophy, and how can it contribute to the task of replacing the *CMI* with the richer *CMS*? These are the questions to which the arguments presented in the normative part of the project will try to provide an answer.

If we really want to reverse *CMI* we must understand that, in order to avoid forms of domination and oppression, to all members of a given social reality should be offered concrete rather than merely formal opportunities to choose independently and to develop and exercise their capacities. In order to attain such a tall order, however, it is necessary to assume that the notion of negative freedom, although necessary, is not a sufficient condition for the achievement of full freedom. As a result, it needs to be supplemented by a richer notion of freedom which embraces its positive aspects. The point of departure for such an alternative theorising is to show that the ontological basis upon which the market advocates' doctrine rests, namely their account of the nature of the entities and relations that constitute social life, is defective. Drawing upon a wide range of literature, it will be easy to recognize that the claim for which human beings have to be seen as independent, atomised, and solipsistic egos, who seek to satisfy their self-interested preferences, fails to capture the social dimension of human life, and indeed has served only to legitimise 'antisocial and selfish models of behaviour. Given the shortcoming inherent to the above orientation, we will assume as ontological foundation of our theorising the notion of 'person-in-community'. (Daly, H. and Cobb, J. - B. 1994; Gould C. C. 1988) Such an understanding of human beings - which we shall define as social ontology - is diametrically opposed to the individualistic conception of human nature supported by free-market advocates. Lying underneath the notion of person-in-community is the idea that human beings are, and become who they are, via the social relations they establish within their community. Furthermore, drawing upon such a relational structure, it will be possible to claim that human beings cannot be said to be driven merely by the maximisation of their utility but rather, since human beings are related to one another by virtue of their dwelling together within their communities, it is not mistaken to claim that they may potentially identify common interests, ends and goals, and mutually co-operate for attain them.

The individualistic conception of human nature constitutes the grounds for the celebration of individuals' negative freedom, nowadays perceived as the most precious moral and political value. According to this understanding of freedom, a person may be said to be truly free as long as she is not interfered with in the pursuit of her own goals, interests and ends. In the economic field, such an interpretation of freedom leads libertarians to support a conception of economic justice merely entailing the respect of negative rights to property with which each individual is endowed. Such an interpretation of freedom, however, depends on the idea that the concepts of freedom and those of ability, capacity or power should be conceived as categorically different. However, if we try to explain the value of freedom in terms of what one is able to do with it, it becomes extremely difficult to maintain that the notion of freedom and those of ability, capacity, and power are totally separable concepts. (Ramsay, M. 1997; Plant, R. 1991; Feinberg, J. 1980) Freedom may only have any value if, and only if, people are able to live their life according to their own purposes, intentions, and goals, and have enough resources to do so. If this is so, the achievement of full freedom meant as equal freedom to self-determination and self-development, necessarily requires not only the absence of external constraints 'but also the availability of the objective conditions that are necessary if choices are to be made. Such conditions may be characterised as *enabling* conditions or positive conditions for actions as distinct from the *constraining* conditions, the absence of which defines negative freedom.' (Gould, C. C. 1988; Held, V. 1984) The normative basis upon which such the set of equal positive rights to self-determination and self-development rests is that since all human beings have equal moral worth. Since self-determination and self-development require both opportunities and capacities, then there is no reason for anyone to have more rights than others to such opportunities and conditions. Thus, in order to claim that persons enjoy true freedom, they must have *prima facie* rights both to those social and material conditions that would enable them to independently choose the course of their lives. To attain the envisaged inclusive social order, primary objective should be, firstly, to enhance a kind of autonomy in which all the members of the community may have a role to play in the social, political, and economic arena, determined by rules that they can freely choose and modify and, secondly, a more appropriate distribution of resources which is necessary if choices

are to be effected. In other words, to be considered legitimate, the rule-makers governing an ideally just system of social cooperation will be required to enhance socio-economic institutions and practices aimed at promoting opportunities and conditions for both self-determination and self-development for all.

However, in order to attain the desired system of social cooperation it is necessary that all its members not only may benefit, but also voluntarily contribute to it. This requires that all its members have not only positive and negative rights to claim but also responsibilities and moral obligations towards others to fulfil regardless of their social distance. Only by embracing such a richer form of reciprocity may we come to understand why, instead of trying to evade anything more than 'the minimal demands of social life', all community members might be motivated to discharge their obligations 'as wholeheartedly as possible.' (Skinner, Q. 1990) However, since the social contract which bounds all those who live within actually existing market societies might be rightly defined as a *Contract of Mutual Indifference (CMI)*, it is fairly apparent that social equality and social cooperation can hardly be realised as a result of forms of domination and oppression that are constantly perpetrated. How, then, might be possible to attain a system of social cooperation according to which all the members of a given system of social cooperation should benefit from it according to their needs as well as voluntarily contribute to it according to their ability? This latter claim led us to reflect upon the way in which the economic activities of an ideally just system of social cooperation ought to be organised. As a result, in the following section, a description of a plural model of economic development stemming from such an alternative moral grounding will be presented.

2- Economics for an Ideally Just Community To overcome the shortcoming of previously revised theoretical models of development and stemming from the alternative approach to morality here assumed, we will introduce the notion of 'socially sustainable' development. Once again, it is worth to recall that by socially sustainable development we will intend a kind of development able to generate a virtuous economic process leading to broader social cohesion than the one generated by actually existing economic processes. To fill the gap due to the little attention posed upon the role that civil society may play in economic development we will refer to the so-called *plural model of economic development*.

Given the failure of mainstream economics to redress the social dislocation as a result of the ever-increasing social and economic polarization, it would be unrealistic to expect that the remedy for the resurgence of renewed forms of domination and oppression will come from an improved version of the actually existing model of economic development. More explicitly, if advancing justice means enabling ordinary people to enjoy equal positive rights to self-determination and self-development, and since actually existing market processes tend to inhibit both ordinary people's ability to shape the course of their lives according to their own ends as well as to develop and exercise their capacities, it would be irrational to accept them as they are without radically amending them. At this stage it is worth to recall that according to the ideal of justice here embraced, in order to implement social cohesion a very high level of social equality and social cooperation should be achieved. As a result, the economic activity of an ideally just system of social cooperation should be organized in a way in which it might support mechanisms and processes aimed at redressing forms of domination and oppression while facilitating social behaviours and economic activities inspired by mutual solidarity across social distance.

In a relational context as the one entailed by the envisaged system of social cooperation since an individual's well-being is intimately linked with the well-being of others, the way of organizing the economic activity ought not rest solely upon the interpretative pair market-state. Rather it should be articulated around three main poles: the market or profit economy, the non-market economy represented by the state and a fully developed third sector of mutual solidarity. This richer way of organizing the economic activity falls under the definition of *plural model of economic development*. (Laville, J.-B. 1998) A *plural model of economic development* does not refute the importance of the market nor does it maintain that it should not have a place in society. According to a *plural model of economic development*, the market would then represent just one of its components which, in spite of its importance, will cease to be the sole generator of wealth and so lose its hegemonic position. So conceived, such an understanding of economic development distances itself both from the socialist belief for which the market should be relegated to the periphery of the economic activity, or even entirely banished, and from the libertarian position, for which the market is the panacea for all social and economic problems.

Before to move on, it is worth recalling that some aspects inherent to the above reasoning can be found in Keynes' less known works. For him, the problem of our times is the imperfect and paradoxical utilization of intellectual and material resources potentially available for the attainment of humans' well-being. In Keynes words, (Keynes, 1926) 'I believe that in many cases the ideal size for the unit of control and organization lies somewhere between the individual and the modern State. I suggest, therefore, that progress lies in the growth and the recognition of semi-autonomous bodies within the State-bodies whose criterion of action within their own field is solely the public good as they understand it, and from whose deliberations motives of private advantage are excluded, though some place it may still be necessary to leave, until the ambit of men's altruism grows wider, to the separate advantage of particular groups, classes, or faculties-bodies which in the ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of the democracy expressed through Parliament.' To reinforce this position, the English economist said that the problem of poverty "as suggesting a blend of economic theory with the art of statesmanship, [is] a problem of political economy" (Keynes, 1933; Lunghini 2001). Furthermore, his view has been deeply implemented in the last chapter of the

General Theory (Keynes, 1936), whose aim was to link political, economic, and social institutions. (Carabelli, 1988, Zanini, 2003).

Building our reasoning upon the ontological and ethical premises earlier presented, this section will aim to show that the model of development we propose, by taking into consideration the interests and needs of all the members of the community rather than those of restricted economic elites, is better equipped at achieving the level of social equality and cooperation required to replace *CMI* with *CMS*. In doing so, we will look to what extent the implementation of self-determination and self development brought about by a plural model of development might enforce social cohesion.

2.1 - *The Market*: If a plural model of development does not refute the importance of the market nor does it maintain that it should not have a place in society, it follows that positional goods and services would be produced by the market. However, on the ground of what has been said, it seems not unreasonable to claim that the normative requirements entailed by the version of justice here assumed cannot be implemented without a dramatic transformation of actually existing economic processes. In fact, it is apparent that, in order to bring about the richer notion of justice here proposed it is necessary to reorganize the process of production and distribution, so that what is produced and distributed could both be decided taking into consideration ordinary people's interests as well as be consciously designed to meet unmet collective needs. If within an ideally just system of social cooperation it is fundamental to enhance a kind of autonomy in which all the members of the community may have a role to play not only in the political but also in the social and economic arena, determined by rules that they can freely choose and modify, it follows that the reorganization of the process of production and distribution should be decided jointly with all those who contribute to the productive activities in the formal labour market. This in turn requires that an increased level of participation in decision-making processes should be fostered. The normative basis for this argument is that if within an ideally just system of social cooperation all enjoy the right to choose independently the course of their life, it follows *prima facie* that to all of them should be granted the right to participate in decisions or choices concerning not only the political realm but also the productive activities in which people daily engage jointly with others. In other words, if justice should be maximized through a more egalitarian distribution of power among the member of the society, it will be required to enhance effective opportunities of all members to participate to economic decision-making processes, so as to allow their interests to be taken into consideration and discussed. This is even of more important under market-oriented processes, as they tend to undermine people's autonomy. Such a right is, in effect, the right to workers' self-management. As Gould pointed out, workers' selfmanagement requires that the workers in a firm 'would have the right to decide jointly on questions of the planning and organization of production or the provision of services, including what to produce or what services to provide, as well as rates of production, allocation of work, working hours, work discipline. ... They would also control the decision concerning sales and marketing of the products or services.' (Gould, 1988) In order to achieve the desired level of participation in the decision-making processes it will be necessary to dramatically increase ordinary people's bargaining power via the introduction of a structural policy able to guarantee the effective socio-economic independence to all. At this stage it should be said that, further than increasing ordinary people's bargaining power within the formal labour market, such a structural policy would also have the positive effect of allowing ordinary people to reduce the amount of working time dedicated to market-oriented activities, making room for more training, the taking up of self-employment, or making it possible to opt for voluntary or remunerated work in the third sector. But these matter will be discussed below.

However, although market-oriented processes should play an important role within our complex societies as they perform many functions well, nonetheless the realization of human well-being now requires 'a non-market economic order.' (O'Neill, J. 1998) In an ideally just system of social cooperation, in fact, it is required that economic activity enable all members of the envisaged community to enjoy concrete opportunities to engage both in society and economic processes on the basis of inclusion, equality, and mutual solidarity. This necessarily implies assuming a notion of economic development for which concepts such as economic efficiency, profit, and competitiveness would cease to be the sole guiding stars of economic activity. In the following section, our aim will be to evaluate to which extent the third sector of mutual solidarity represents a radically different way of understanding and practicing economy from the bottom up which, in the attempt to create sustainable livelihoods for all, places the emphasis on ordinary people's interests and needs - especially of those who are not favored by the currently existing economic processes.

2.2 - *The Third Sector of Mutual Solidarity*: Moving from the recognition that actually existing economic processes undermine ordinary peoples' capacity to author their own lives, both at theoretical as well as at practical level within the third sector of mutual solidarity is required that economic activity be subject to the control of the society. As a result, one of the central concerns of this way of practicing economic activities is the issue of ordinary people's participation in the decision-making processes. As we shall see, all economic interventions carried out within the third sector of mutual solidarity are the result of discussions among the participants about their problems and the ways in which these latter might be solved. This process occurs within the so-called public spaces of proximity, defined by Laville as 'autonomous public spaces' arising from processes regulated by reciprocity and not by money or administrative power. (Laville, J. - L. 1998) Public spaces of proximity can be described as places in which people can freely discuss, elaborate, propose, and finally decide which economic activities are the most appropriate for the context in which they emerge. This is to say that all decisions regarding means and ends of third sectors

economic activities are taken by all those people who will be affected by such decisions, be they producers of goods and services or end users. As is easily understandable, in this way the decision-making structure, far from being hierarchical, becomes a 'net-shaped constellation' made up of actors to whom the maximum degree of autonomy compatible with the achievement of common ends is attributed. (Donati, P. 1997)

Furthermore, distinct from market-oriented processes, third sector enterprises, by conceiving the performance index of the economic activity on the grounds of an *a-posteriori* calculation of satisfaction of social needs, promote economic activities aimed at the fulfilment of individual and collective needs. As we shall see, in the attempt to improve the conditions of life and livelihoods of the whole community, the third sector of mutual solidarity calls for development strategies focused on the satisfaction of ever-increasing social needs in the areas of employment, health-care, housing, education, and preservation of the natural environment which are not in the interests of the market or the state to satisfy. The inspiring ideals upon which this alternative and complementary type of economy is rooted are those of mutual solidarity and attentiveness to other members of the community. (Colozzi, I. 2001; Godbout, J.-T. 1996) Building upon this normative background, the third sector of mutual solidarity becomes the bearer of a fundamental rule pervading all its practical manifestations: any economic intervention - be it the production of goods unavailable on the market, or the provision of services aimed at meeting unmet social needs - is accomplished not because someone may pay for it, nor because there is a law obliging people to do so. Rather, it is carried out simply because someone needs it. However, although within present-day communities there exists a myriad of solidarity-based activities to be undertaken which, if accomplished, would significantly improve the quality of life of community's members, given the predominance of market-oriented processes, these activities have been denied both the social recognition, and have been relegated to the periphery of economic activity. (Caillé, A. 2001) Hence, the goal to be achieved will be that of making available a broader portion of 'social time' for the realization of solidarity-based activities aimed at the betterment of the welfare of the members of the community. In order to achieve such a goal, it will be necessary to introduce a second structural policy, able to enlarge the portion of social time necessary for the activation of a strong third sector. Further on in this project, via a formalized macro economic model we will evaluate the impact of the two structural policies we will suggest upon society as a whole.

2.3 - The State: A system of social cooperation based on a *plural model of economic development* can neither be implemented nor sustained in opposition to the state. More precisely, the struggle to bring about it ultimately requires 'that the state does not stand external to everyday economic life as a bureaucratic regulator, but it is integrated in the struggle to transform social relations - which is the condition for 'becoming other', whereby people and institutions change themselves in the process of changing the nature of the economy.' (Panitch, L. e Gindin, S. 2000) In order to attain a fully developed plural model of development, it will be necessary a transformation of the State in what can be defined a partner State, that is, respectful of interests, decisions, and needs of each of its member.

In order to bring about a system of social cooperation inspired by *CMS*, the partner State should guarantee to all its members equal positive rights to self-determination and self-development. In turn, this requires that power ought to be redistributed in more egalitarian terms among social, political, and economic actors, at local, national, and supranational level. In economic terms, the promotion of an empowering and enabling form of democracy not only in the political but also in the economic sphere, requires that one of the most important activity of the partner State will be that to reduce unbalanced power relations (inequality) between final user and producers of goods and services, as the maintenance of these inequalities would inevitably reproduce a dystopic society built along a hierarchical line, within which the economically powerful would enjoy a better social position which would enable to defend themselves against the intrusion of a state engaged in reducing their privileges. (Self, P. 1997) If the partner State should maximize justice through a more egalitarian distribution of power and resources among all the members of the society, to it will be required to promote structural policies aimed at achieving the desired level of social equality and cooperation. If, in order to claim that persons enjoy true freedom, they must have *prima facie* rights both to those social and material conditions that would enable them to independently choose the course of their lives and to express their capacities, it follows that governmental agencies must be responsible for the enhancement of all members' effective opportunities to participate to decision-making processes, so as to allow their interests to be taken into consideration and discussed, along with a fairer distribution of resources. In a nutshell, within the envisaged system of social cooperation, the moral legitimacy of its political institutions rests on the degree to which they are able to promote both opportunities and conditions for the achievement of self-determination and self-development for all.

The basis for positive duties to implement structural policies aimed at enhancing social cooperation and social equality resides in the fact that all people have equal moral worth. This entails that all have *prima facie* equal positive rights to opportunities and conditions for self-determination and self-development. If all the members of a given community are entitled to *prima facie* equal rights to self-determination and self-development, this creates a requirement to institutionalise and allocate corresponding duties and obligations to governmental agencies, which have the power to develop and implement structural policies aimed at freeing people from forms domination and oppression.

One fundamental question, however, has yet to be addressed. Indeed, the issues of which structural policies might be introduced in order to shift from the present-day polarized social reality informed by *CMI* to one allowing a widespread social equality and cooperation as the one required by the *CMS*, remained unanswered. As we anticipate earlier, moving from the premises that if the promotion of justice and socially sustainable development requires renewed and richer distribution of both power and resources, we will try to answer the following questions: What are the structural policies that might facilitate the shift from market-oriented arrangements to those fostering a far more cohesive and inclusive system of social cooperation based on a sense of community and membership grounded on mutual solidarity across social distance? In a nutshell, how would it be possible to enable the members of a given community to undertake solidarity-based economic activities so as to allow them to voluntarily contribute to societal well-being? On these regards, it will be maintained that the shift toward a fully developed *plural model of development* requires the introduction of a Universal Basic Income alongside the introduction of shorter working hours with no loss in earnings. Can the introduction of these structural policies be conceived as a necessary condition for the realisation of full citizenship, contributing significantly to the creation of positive liberty? Is it correct to say that if these two structural policies were to be institutionalised, ordinary people would see their freedom to choose the course of their lives increased? In order to be claimed a necessary condition, although not sufficient, for the attainment of individual self-determination and self-development answer, we will investigate whether, if implemented, these policies would lead to the achievement of a sufficient degree of socio-economic independence. More specifically, we will try to evaluate the extent to which the implementation of these two structural policies, freeing millions of ordinary people from their pressing needs, might create, on the one side, the conditions for widening ordinary people's effective opportunity to participate in social and economic decision-making processes with a sufficient bargaining power and, on the other, allowing them to dedicate more time for solidarity-based activities aimed at the betterment of the living conditions of the overwhelming majority of ordinary people.

Basic Income and Reduction of Working Hours with no Loss in Earning - UBI, as it will be presented in this project, must be considered as an economic intervention which helps to define, along side political and civil citizenship, the full enjoyment of social and economic citizenship. UBI should be understood as the allocation of a regular and perpetual monetary sum to all the members of a given community without means test or work requirements. It should have the following fundamental characteristics: a) it has to be universal, that is non-discriminatory - it must be given to all human beings regardless of their sex, race, social, economic and marital status, religion, and age; b) unconditional, that is, it should be paid irrespective of one's income, or her/his willingness to accept a job if offered; c) Cumulative to other forms of income already existing or yet to come; d) paid on an individual basis and not to households; e) provided not only to citizens but also to all residents of a given community, (at least 6 month of residence); f) financed by general taxation, according to a progressive approach. Such an approach, requires the introduction of a tax upon the earning of productivity (capital goods or foreign direct investments taxation) along side a tax upon financial transactions (Tobin tax). Before to proceed any further, two specifications should be made. Firstly, the claim that UBI should be paid to all the members of the community raises the question whether or not children can be entitled to it. In order to justify a positive answer, we will make clear that UBI cannot be taken merely as a poverty or unemployment policy. Rather, it is an inclusive citizenship policy whose primary scope is that of increasing social equality to the larger possible extent. It is apparent that, in order to be successful, any structural policy aimed at increasing social equality should be informed by the richest notion of membership possible: one which includes children. Secondly, as UBI should be provided without means test or work requirements, it is rather different from the actually existing guaranteed income schemes, such as, for example, the case of the France's *revenue minimum d'insertion*, (RMI) the Netherlands' *bijstand*, Germany's *Sozialhilfe*, since these latter are bound to the obligation to assume some contractual appointments. Therefore, they remain strongly conditional, while UBI is not. (Van Parijs, P. 2002) From an UBI perspective, the above proposals are discriminatory and unable to guarantee a person's inalienable right to subsistence. It should be made clear, furthermore that being an independent income detached from wage, it will substitute all payout deriving from unemployment, (guaranteed wage fund, unemployment benefits, pre-pensioning) but not pensions.

Would the socio-economic independence provided by the provision of an UBI be able to enhance individual self-determination and self-development? As we have seen, according to the ideal of justice here assumed required that the reorganization of the process of production and distribution should be decided jointly with all those who contribute to the productive activities in the formal labour market. This in turn, requires that to all of them should be granted the right to participate in decisions or choices concerning the productive activities in which people daily engage jointly with others. Fundamentally, if set an appropriate level, the provision of an UBI can hardly fail to substantially increase ordinary people's bargaining power within the formal labour market. For example, not being forced by hardship into meaningless, unpleasant or hazardous work, as their subsistence would be already assured, ordinary people would have a sufficient power for negotiating better wages, as well as decent working conditions and contracts. In addition, the positive provision of UBI would make it easier to turn down a meagre salary or a temporary job or to take a break between two jobs. With their bargaining power increased, there is a strong presumption that workers, if supported by trade unions, might push their claim further than that, asking to be allowed to decide jointly on questions such as the planning and organization of production or

the provision of services, including what to produce or what services to provide, as well as rates of production, allocation of work, working hours, work discipline. Furthermore, as UBI is provided regardless of the recipient's willingness to undertake any effective employment, it allows full enjoyment of economic citizenship without forcing the recipients to enter into the hierarchized process of material production. For example, it would allow ordinary people to reduce the amount of working time dedicated to market-oriented activities, making room for more training, the taking up of self-employment, or making it possible to opt for voluntary or remunerated work in the third sector, so avoiding the social stigma of being 'on the dole'. This is of great importance in a social reality where people belonging to socially vulnerable groups do not have the power to change the mechanism that keeps them in a destitute social position. Because the introduction of an UBI is likely, on the one side, to enhance a kind of autonomy in which all the members of the community may have a role to play in the economic arena, determined by rules that they can freely choose and modify and, on the other, to bring about a more appropriate distribution of resources which is necessary if choices are to be effected, it is fair to say that the provision of UBI helps to realize the conditions for both self-determination and self-development for all.

Although necessary, UBI alone would not be sufficient to bring about the desired shift. If within the envisaged system of social cooperation, all members should be able to express their capacities and experience it follows that, in addition to being guaranteed the material means necessary to shape their lives according to their own ends, each member should also be able to participate actively in productive activities aimed at increasing the general welfare of their respective communities. If people were provided with a UBI set at an appropriate level but were without effective opportunities to participate in market-oriented and solidarity-based activities, they would become too heavily dependent on the UBI. Given the self-evident need for individual self-respect and given that, in all its variants, dependency heavily undermines an individual's self-respect, it would certainly be advisable to create effective conditions to allow as many people as possible to meet their needs through meaningful work.

It is worth to recall that, if we conceive justice not only as self-determination but also as self-development, then it would be reductive to interpret the notion of liberty merely in terms of having guaranteed the resources needed in order to choose one's life according to one's own values and aims. Indeed, the meaning of liberty should be enlarged to include the freedom to work and, broadly speaking, to develop and exercise one's capacities. It follows that, in the envisaged system of social cooperation, all members must have equal access to both market-oriented and solidarity-based activities. If this is right, some questions arise. How should those currently excluded from the labour market, and those who will fall within this category in the next few decades, be dealt with? How are both social inclusion and socio-economic security to be provided if the formal labour market is no longer able to provide the basis of personal welfare and social security? Which structural policy is the most appropriate in order to bring about a system of social cooperation within which each member could be enabled to engage in both market-oriented and solidarity-based activities?

In answering these questions, we will try to show that in an era in which mass unemployment and underemployment have become an intrinsic feature, to open up almost unlimited opportunities to contribute to the envisaged system of social cooperation, requires a profound rethinking of the way in which work activities are distributed. More specifically, to reverse the negative consequences of market-oriented processes, in addition to the introduction of UBI, it is therefore necessary to develop a medium and long-term policy leading to the achievement of the twofold goal of assuring equal paid employment opportunities in the formal labour market for all, along with allowing those who want to undertake autonomous activities to have the time to do so. (Gorz, A. 2000, Aznar, G. 2001) Lying underneath the idea of introducing this structural policy is the belief that within present-day communities exists a myriad of economic activities to be undertaken which, if accomplished, would significantly improve the quality of life of a vast number of its members. However, given the predominance of market-oriented processes, these activities have been denied both the time and the social recognition, and have been relegated to the periphery of economic activity. (Caillé, A. 2001) With the introduction of shorter working hours in the formal labour market it will be possible, on the one side, to allow all those who want a job in the formal labour market to find it, and on the other, to make available an adequate portion of 'social time' for the realization of solidarity-based activities. In doing so, also the reduction of working hours will accomplish the requirements of the proposed notion of justice, as it allow all the members of the system of social cooperation to develop and exercise their capacities and abilities.

Given the above, it will be possible to affirm that the implementation of the two structural policies would not restrict, as many maintain, individual freedom as such; rather, it would merely extend to all the members of the envisaged community the freedom currently enjoyed by privileged elites. Hence, they should be considered as morally sound. In order to support the introduction of these two policies, in the last part of this project we will formalise a macroeconomic model. In doing so, we will elaborate a dynamic model, within which it would be possible evaluate the impact of the introduction of these two structural policies upon the productive and social reproduction system, as well as upon employment, wage, and price rates. This is because, before to introduce these two structural policies, it is necessary to verify not only if they are morally sound, but also if they stand the economic prove.

4. Formalised Model of Plural Economy: Methodology

Modelling and simulation constitute a key element of our research design. It is of some interest to quote the advantages of simulation studies as presented by M. Masuch in the Encyclopaedic Dictionary of Organisational Behaviour: "...simulations are symbolic representations of organizations in executable computer code. They differ from discursive theories by the use of restricted, formal languages, and they can exploit the computational power that such languages make available....[simulation is] a tool of analysis when the problem is too complex for thought experiments...help to discover the counter-intuitive roots of an ordinary problem, and explain it as the result of systematic interaction effects". Simulation studies have a long tradition in organisational theory and economics, dating back to the seminal works in the area of the behavioural theory of the firm and organisational decision theory [Cyert, Feigenbaum and March, 1950; Orcutt, 1960; Yance, 1960; Clarkson 1962; Cyert and March, 1963; Cohen, March and Olsen, 1972:]. Furthermore, some of the most important theoretical pieces in the theory of the firm and organisational theory are based on simulations studies. This is true for the "Garbage Can" model [Cohen, March and Olsen, 1972] and for the Behavioural Theory of the Firm developed by Cyert and March [1963]. More recently, simulations have characterised studies in organisational evolution and dynamics, and, in particular, inter-organisational evolution [Lomborg, 1996] and intra-organisational evolution [Burgelman and Mittman, 1994], organisational learning [March, 1991] and organisational change [Mezias and Glynn, 1993; Lant and Mezias, 1992]. Simulation experiments help to clarify concepts and to develop theories by rigorously deducing consequences from modelled assumptions. The use of a computer simulation model as a laboratory will create an appropriate setting to conduct controlled experiments and to analyse emerging aggregated consequences of different policies. Alternative hypothetical, though dormant, trajectories of evolution of an economic system will be activated by modifying the underlying modelled assumptions. History can be re-run, showing how small, *ab-initio* modifications in parameter values can be amplified over time, to yield very different outcomes. Simulation is a unique methodology to perform this journey in history. The validity of results will be assured by rigorous testing and validation of the simulation model.

4.1 Rationale for a computational approach: In general, the shared feature of computational approaches is that they allow to build flexible laboratories where assumptions can be manipulated and behaviours of an object of study can be reproduced *in vitro*. Computational methods are a middle-field in between the two traditional existing way to generate theories: mathematical deduction or verbal articulation [Malerba, Nelson, Orsenigo and Winter, 1999]. In particular, computer simulation is used when models are not amenable for analytical solution. Thus, a theory exists in analytical form and computer simulation provides a way for enlarge and further articulate the theory. For example, Kollman, Miller and Page [1997] use computational modelling in political economy to extend previous mathematical results. Using a computational model, they develop new testable hypotheses concerning the path of behaviour of candidates in elections. More specifically, the rationale to use a simulation approach in our research is twofold.

4.1.1 *Positive feedbacks*: In our study, a key assumption is that emerging aggregate behaviour of a social system is moulded by positive feedbacks. In particular, in our modelled economic system, we assume a positive feedback among cognitive labour employed, aggregate production, learning rate of cognitive workers and productivity of cognitive labour. The presence of positive feedback loops in our theoretical framework suggested that a computer simulation approach could suit our research objectives. As explained by Arthur [1988, 1989], positive feedbacks may generate, within a social system, outcomes strongly forced by random events and noises. Thus, positive feedbacks threaten a key assumptions recurring in social studies: historical efficiency, that is, the assumption that observable outcomes are the unique result of systematic forces at work, independently of historical details. On the contrary, positive feedbacks may produce results dependent on disturbances even in the presence of strong systematic forces. The relationships among positive feedbacks, empirical research and computer simulation experiments have been clearly articulated by Carrol and Harrison [1994: 723]. They built a simulation model to investigate role played by competitive superiority, within an industry, of populations of organisations, intensity of competition among populations and likelihood of a population's survival and dominance over other existing populations. Their computer simulation experiments contributed to provide new grounds for further empirical analysis by eliciting timing of entry of a population in a industry emerged as a crucial variable in predicting chance of survival and dominance. Similarly, in our work, simulation experiments will address the effect of different timing of alternative policies on the unfolding pattern of aggregated production.

4.1.2 *Role played by intangible constructs*: In our study, crucial role is played by variables which are intangible and whose influence on emergent behaviour of dependent variables is ambiguous. For these constructs empirical testing are often poor and contradictory. Nevertheless, researchers need tools to reliably measure the impact of intangible variables. To exclude from analysis variables which are difficult to operationalise results in making bold assumptions; more precisely, it corresponds to assuming that the variables do not have any effect. In our model, for example, we investigate the role of relational capabilities on the productivity of labour. More precisely, we assume that for certain type of cognitive labour, productivity increases as the number increases of relations in which workers are embedded.

We need to introduce in our analysis a new construct that captures the embeddedness of workers, and to hypothesise a functional form to link embeddedness to marginal productivity of labour. Computational approach gives us here two advantages. First, computational approach allows numerical solutions through computer simulation of complex systems of equations. Thus, the approach confers to researchers degree of freedom in testing alternative non-linear functional relationships among variables. Second, computer modelling and simulation allows for flexible changes of our formalisation of functional relationships. We can conduct experiments by simulating the model with different formalisation of functional relationships and observe unfolding results. Concluding, free from constraints of tractability for analytical solution, and supported by a virtual environment, where we can play out different possible worlds, we can explore how policies may have very different outcomes when making different assumptions concerning functional relationships among variables, different initialisations of variables and different calibrations of model's parameters.

4.2 What kind of computer modelling and simulation?

4.2.1 System Dynamics Approach to Model building and computer simulation: We apply System Dynamics (SD) modelling and simulation approach. (For a recent and comprehensive presentation of System Dynamics theory and methodology, see Sterman 2000) We were inspired by previous SD applications in social sciences. Hanneman, Collis and Mordt, for example, analysed theories of conflict by using a SD model [1995] and Sastry [1997] further advanced the punctuated equilibrium theory of organizational change by translating this verbal theory using the system dynamic modelling and simulation. As far as our purpose is concerned, SD research methodology, which has a long tradition since the work by Forrester (Forrester, 1961 and 1968;), offers two key advantage in modelling our theory. First, the methodology takes a feedback perspective, and allows us to treat the economic system as a complex system consisting of one or more reinforcing or balancing feedback loops. The dynamic interplay of these feedback loops explains emerging complex behaviour, which is not necessarily intuitively understood, nor can be replicable using other conventional research methodologies. The framework employed is coherent with the purpose of our analysis, which explores dynamic interplay among cognitive labour employed, aggregate production, learning rate of cognitive workers and productivity of cognitive labour. The choice of a computational approach within which emerging behaviour can be linked to the feedback structure of the model is explained by the rationale at the heart of our study. Indeed, we intend to create a white-box model in order to closely scrutinize how descriptions of economic processes give rise to feedback structures and how these latter generate emerging aggregated economic behaviour. Second, SD computer simulation models approximate continuous-time, rather the discrete time, processes (such as, for example, genetic algorithms or cellular automata). Such a modelling approach is appropriate since our analysis stresses the role of emergent resource allocation patterns, which unfolds gradually over time as the consequence of pressures, incentives and resources continuously accumulated within an economic system.

4.2.2 Logic of model building and analysis: In the modelling process we will follow the subsequent steps: first, grounding on literature review and previous empirical studies, we identify constructs and we model relationships among constructs. Thus, we formalise the theoretical model thereby creating a system of differential equations. Second, we test the model by following procedures indicated, for example, by Forrester & Senge, and Sterman [2000]. The validation process includes two steps: (1) verification of model structure and (2) test of model's behaviour. Validation of the model structure verifies that functional forms utilised and parameters' calibration is well grounded in relevant literature and previous empirical studies. Test of model's behaviour verifies that the model is not internally flawed by inspecting model's reaction to stimuli of different kind. For example, we test model's structure with *extreme condition* tests [Forrester & Senge, 1980; Richardson & Pugh III: 313, 1981]. In the test, by monitoring model's response to severe modifications in initial assigned value of variables, we verify that the model does not show any anomalous feature which sharply conflict with plausible behaviors. Third, once the model is built, we define a protocol for simulation experiments. Experiments aim at exploring the relationships between the feedback structure, which emerge from the systems of equations in our model, and the behaviours emerging in the simulation runs. In our experiments we will monitor model's response to modifications in initial assigned value of variables and parameters, in order to receive prescriptions on how alternative policies may generate different emerging aggregate results. Finally, simulation experiments lead to the creation of a set of prescriptive hypotheses for policy-making, these hypotheses will constitute the grounds for further empirical testing.

Model

As follows, we will elaborate a theoretical model of flexible accumulation. Our vision stems from the reflection exposed in the philosophical section concerning the nature of human beings. In a relational context as the one entailed by the envisaged system of social cooperation since an individual's well-being is intimately linked with the well-being of others, the way of organizing the economic activity should be articulated according a plural model of economic development, subdivided into three main poles: the market or profit economy, the non-market economy represented by the state and the third sector of mutual solidarity. Further on, the model will analyze whether the introduction of the proposed structural policies, increasing the rate of both productivity and demand (hence output and employment increase), would gear a virtuous economic circle in the spheres of production and social reproduction, so as to finance themselves. To start with, we consider three sectors:

1. a) the first sector has to do with material or immaterial production that use a fixed level of physical capital (K_1) and two inputs of labour, cognitive (L_{C1}) and non cognitive (L_{M1}) labour. In this sector there are significant industrial relations with workers having a sufficiently high bargaining power (collective bargaining on both cognitive and non-cognitive labor). In this sector, cognitive labour is socially acknowledged and highly rewarded. Our hypothesis is that cognitive labour is influenced by two peculiar variables: the learning (λ) and the relational (ρ) capabilities, i.e. the relational and learning exchanges (events, places and people).

$$1.a \quad Y_{1t} = f_1(K_1, \lambda_1, \rho_1, L_{C1}, L_{M1})$$

$$y_1 = Y_1 / K_1 = (L^{\alpha_{C1}} L^{\beta_{M2}}) / K_1 = f_1(\lambda_1, \rho_1), \quad \text{where } \alpha + \beta > 1, \alpha = f(\lambda_1, \rho_1); \beta \text{ e } K_1 \text{ are fixed.}$$

1. b) the second sector comprehends production's centres that use a fixed level of physical capital, with the same inputs of labour characterizing the first sector (L_{C2}) (L_{M2}). In this case, both cognitive and non-cognitive labour is regulated by individual bargaining and high flexibility (or precarious condition). For this reason, the distinction between cognitive and non-cognitive labour result to be more nuanced, because the material conditions of these workers are similar, and because the non-cognitive labour needs both high relational and learning capabilities.

$$1.b \quad Y_{2t} = f_2(K_2, \lambda_2, \rho_2, L_{C2}, L_{M2})$$

$$y_2 = Y_2 / K_2 = (L^{\alpha_{C2}} L^{\beta_{M2}}) / K_2 = f_2(\lambda_2, \rho_2), \quad \text{where } \alpha + \beta > 1, \alpha = f(\lambda_2, \rho_2); \beta \text{ e } K_2 \text{ are fixed.}$$

1.c) the third sector is defined by productions, using a stock of physical capital, engaged in solidarity-based activities that depends by both public and/or private dynamics of solidarity. In this case, we will not consider the difference between cognitive and not cognitive labour, as the input of labour is a function of the existing social network and of the relational capabilities, and therefore it will be divided between paid labour (L_{TS}) and non-paid (voluntary) labour (L_V).

$$1.c \quad Y_3 = f_3(L_{TS}, L_V, K_3)$$

$$Y = Y_1 + Y_2 + Y_3$$

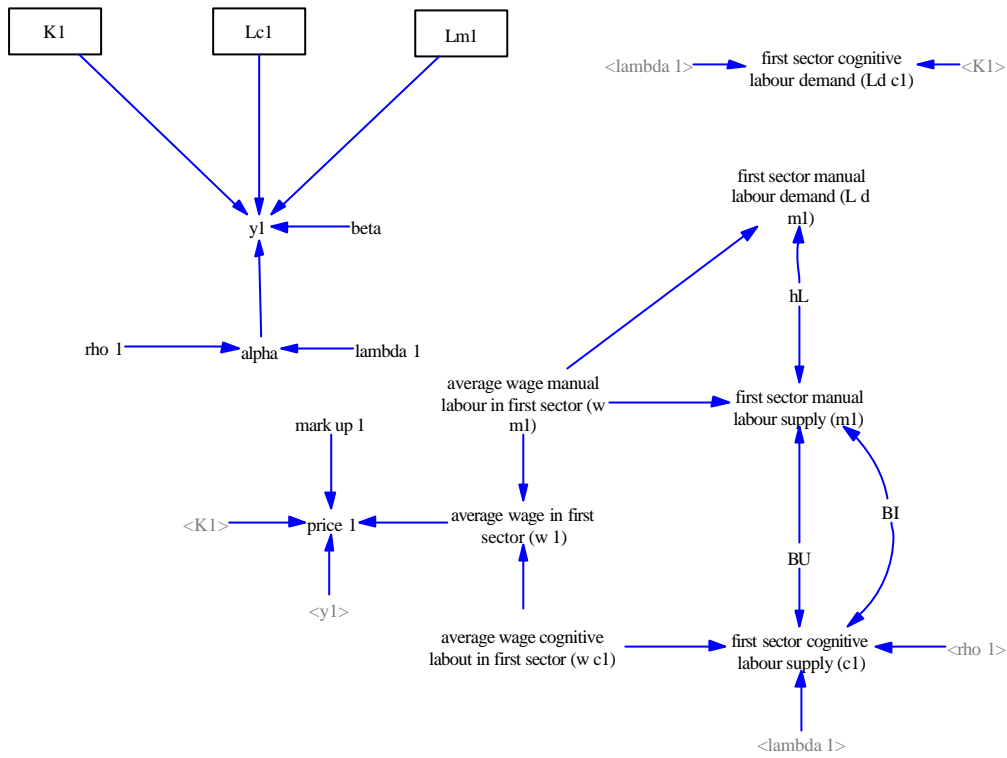
First and second sector are characterized by increasing returns of scale efficiencies caused by the role of two parameters, learning and relationship capabilities. This is the central hypothesis of our model; this hypothesis differs it from all the models that we have analyzed as it implies a new Kaldor-Verdoorn effect, that is connected not to scale and size economies, as happened in Fordism, but to dynamic and network economies, as happens in a flexible accumulation regime (relational capabilities and diffused production).

Once having described the present model of flexible accumulation, underlining its shortcomings, the objective of our endeavour will be to evaluate the viability of the two early-mentioned structural policies. Special attention will be placed upon the structural changes (positive we hope) that these two structural policies might bring about within the sphere of production (the formal labour market) and social reproduction (third sector of mutual solidarity). In doing so, we will evaluate the impact of the proposed structural policies upon the

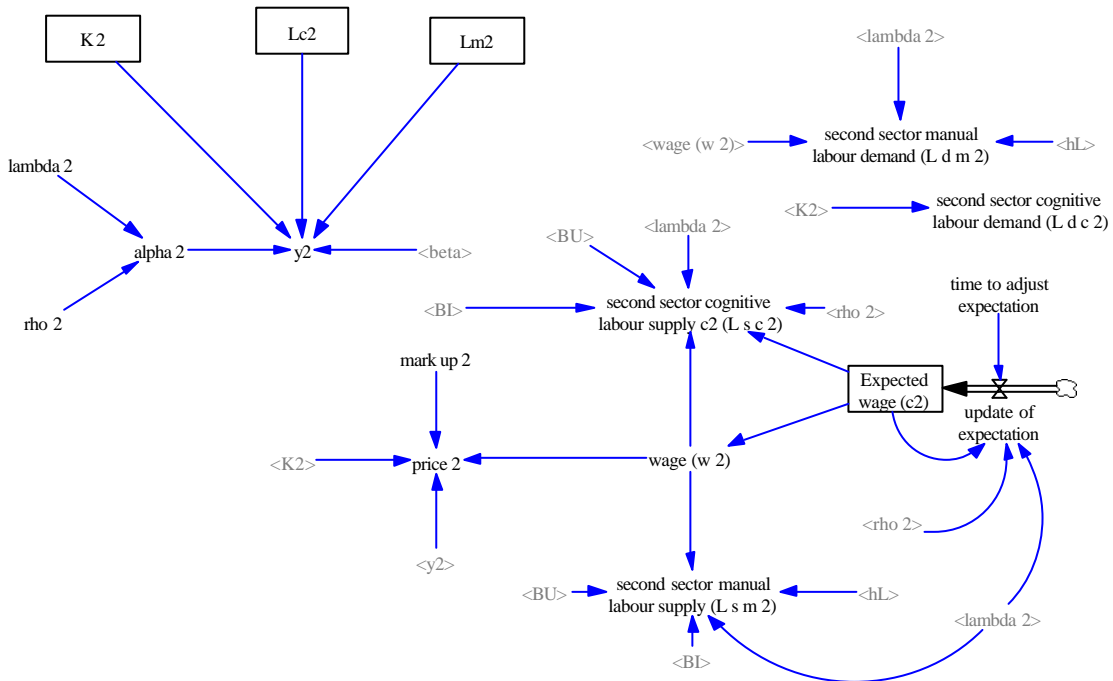
- **level of production/social reproduction (with emphasis upon the unemployment rate)**
- **consumption structure (with emphasis upon wage rate - effective demand)**
- **price level**
- **fiscal structure (with emphasis upon the system of taxation)**

This approach is original in the sense that, in answering the question whether the introduction of these two policies is feasible from an economic point of view, it will allow us to verify some of the assumptions previously posed at theoretical level. The internal logic coherence of our proposal is shown by the following schemes:

First Sector



Second Sector



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