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CODETERMINATION, PROFIT-SHARING AND FULL EMPLOYMENT

by

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European University Institute, Florence

L'evoluzione delle strutture famigliari nel comasco durante l prima fase di industrializzazion (1746-1811)

:Alain DROUARD — Relations et Reactions des Scien Sociales "Françaises" Face Aux Sciences Sociales "Americaines"

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CODETERMINATION, PROFIT-SHARING AND FULL EMPLOYMENT

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1. Introduction

The contract regulating labour employment by capitalist firms usually embodies three basic elements: a fixed money wage rate per unit of time, the subjection of workers to the employer's authority in the workplace and the short-term nature of the hiring commitment. Explicit or implicit departures from this standard can be observed; they are the result of individual or collective negotiations in the labour market, which balance out their advantages and disadvantages for each party, either directly or through accompanying changes in other parameters of the labour contract. Government legislation and economic policy set limits or fix actual values for some of these parameters and stipulations; within these bounds the market determines the rest.

Long tenure, i.e. the employee's option on continued employment, like all options has a value (for the employee) and a cost (for the employer), which is matched by correspondingly lower pay than that associated with shorter-term contracts. The partial and delayed indexation of money wages to a consumer price index for the period between successive rounds of wage negotiations favours employees when inflation decelerates and employers when it accelerates. Piece-rates, i.e. wages related to <u>individual</u> performance, give employees a short term reward (penalty) for effort supply higher (lower) than that which otherwise would be contractually fixed, as well as automatic participation in productivity gains due to learning by doing, subject to a ratchet effect on the determination of subsequent rates; employers save on the costs of recruitment, supervision and contractual enforcement, lose short term productivity gains but can use more fully their contractual power in exacting effort and speeding up progress when rates are reviewed. Government policy influences directly or indirectly market choice, in the pursuit of policy targets such as distributive fairness, employment, price stability, efficiency and growth.

The same combination of private interest and government policy determines the degree of workers' participation in decision-making processes (codetermination) and in the performance (profit-sharing) of enterprises (for a bibliographical survey, see Bartlett-Uvalic, 1985).

2. Codetermination

Employee participation in enterprise decision-making in cooperatives amounts to full entrepreneurship through participation in assemblies, the election of representative organs and involvement in the appointment of managers. In other enterprises it takes the form of access to information and right to consultation, participation in decisions on conditions and organisation of work and on internal social questions, through a workers' council or similar organ; right up to the minority (or even parity) participation and vote in the board of directors of a joint-stock company (as in German Mitbestimmung, see Nutzinger, 1983) with a possibility of influencing decisions about employment, the level and structure of investment and other crucial factors were the other board members to be sufficiently divided.

The effects of codetermination are three-fold:

i) the reduction in labour disutility obtainable when workers have a say in the division of labour and work organisation, since enterprises may neglect workers' preferences about the specific uses to which their labour is put or at any rate respond to the needs of a hypothetical average worker: if the number of enterprises is not large enough, workers' control is

necessary to reduce disutility and alienation. The effect of workers' control on productivity has an indeterminate sign (Pagano, 1984).

ii) the reduction of the number and intensity of conflicts in the workplace in general and, in particular, the more likely acceptance by workers of unpopular decisions by management, when workers receive detailed and credible information and participate in decision making, identifying themselves partly with the enterprise and above all lengthening their time horizon in view of continued participation in decision-making (Aoki, 1984; Cable, 1984; Fitzroy and Mueller, 1984). Of course conflicts within the firm are made more tractable by the introduction of codetermination but afterwards are bound to reappear over time (Furubotn, 1985); also there remains a basic conflict between employed and unemployed workers which may even be exacerbated by the employment protection policies conceivably encouraged by those already employed in their exercise of codetermination.

iii) the greater correspondence between workers' powers and responsibilities, codetermination being the counterpart of workers' exposure to enterprise risks. The very fact that workers, unlike capitalists, cannot diversify between different enterprises when selling their services exposes them to an employment and income risk which induces them to make a claim to control; a claim which up to a point the employer may prefer to accept instead of granting higher wages or longer tenure.

3. Profit-sharing

In pre-capitalistic systems workers' participation in the results of their enterprises took the forms - now little used - of sharecropping in agriculture and of sliding scales (indexing wage rates to the price of the product), for instance, in English coalmines. In modern capitalism such participation - for which "profit-sharing" is a shorthand label - takes the form of cooperatives' net revenue sharing, production prizes based on group or overall performance, participation in gross/net revenue/profit, share options, participation in investment funds and pay increases graded according to productivity growth.

The effects of an element of profit-sharing in labour earnings are three-fold:

i) an expected increase in labour productivity. This is not due to workers gaining from the product of individual extra-effort (as in the case of piece-rates) since each of n workers employed will only get 1/n of the product of his own extra-effort (Samuelson, 1977) and on the contrary may reduce effort if he can, being exposed to only 1/n of the output loss from his own lower effort. The productivity gain can be expected from workers, costlessly to themselves, gaining from intelligent and effective use of any given individual level of effort, from cooperating with other workers and management and from monitoring and supervising each other's effort, efficiency and cooperation (Reich and Devine, 1981; Fitzroy and Kraft, 1985).

ii) cyclical flexibility of labour earnings and therefore greater stability of profit levels and rates. Employment will not be stabilised during the cycle by labour earnings flexibility obtained through profit-sharing because the marginal cost of labour to firms - i.e. the fixed component of pay - does not vary automatically. Workers, who are normally risk-averse, will prefer a fixed sum of money to a profit-sharing formula of equivalent amount while employers, who are normally risk-lovers, may or may not prefer greater stability of profit rates (according to their actual attitude to risk and the alternative cost of reducing risk through diversification) to the point of granting higher average earnings on a profit-sharing formula than a fixed wage to mutual advantage. Therefore profit-sharing is favoured primarily in risky ventures; otherwise on this ground alone profit-sharing would be favoured by firms only in a recession (when workers would only accept it as an alternative to a permanent wage cut) and by workers only during a boom (when firms would only accept it as an alternative to a permanent wage increase).

iii) higher level of labour employment, for a given level of labour earnings with respect to a fixed wage régime, due to the lower marginal cost of labour to profit-sharing firms. Vanek finds that higher employment will be associated with higher aggregate income, lower prices (because of

higher output), higher export volume and domestic import substitution (with undetermined effects on the balance of payments depending on price and income elasticities), lower after-tax and after-labour-share profits and higher labour-share in national income (Vanek, 1965).

Rediscovering Vanek's macroeconomic benefits from profit-sharing (though not its impact on net profits and relative income shares), Weitzman claims that these benefits are neglected by individual firms, as in other instances of "public goods", "externalities" and "market failures", therefore necessitating public policy measures (Weitzman, 1983, 1984). However, there is no reason why a firm should object to granting a given increase in earnings under the guise of a profit share instead of an equivalent fixed amount unless that represents forced insurance against profit variability; and why workers - at least at the level of nation-wide collective bargaining - should not take into account the potential employment and price stability benefits of this formula and offset them against the greater variability of their earnings in between negotiations, due to both cyclical factors and random factors affecting their firm's performance.

Contrary to Weitzman's belief, in fact, profit sharing is not absolutely superior to wage contracts. For workers, profit-sharing transforms the probability distribution of uncertain employment at a fixed and certain income into a probability distribution of employment with a higher mean (because of lower marginal cost of labour) but no less variable over the cycle, at a more variable income (both over the cycle and for other factors affecting dispersion of enterprise performance) and at a higher (real) mean. For firms it transforms a more into a less variable probability distribution of money profit rates around the same mean (or a lower mean if workers are protected from actual losses; the effect on real profit rates depends on accounting conventions and choice of numéraire). In the pursuit of greater employment and price stability of course a government may grant tax relief to shared profits, just as effectively and with just as much reason as it may subsidise the marginal cost of labour to firms under a wage régime. Otherwise there is no reason why profit-sharing should be forced upon unwilling workers and firms by well- meaning reformers, beyond the extent they are prepared to consider in their market transactions. These propositions are developed in the rest of this paper (see also Nuti, 1985 and 1986).

4. Interdependence between codetermination and profit-sharing

The respective effects of codetermination and of profit-sharing are not independent. The productivity increase expected from profit-sharing can be raised by workers having collective discretion over the organisation of labour; or the productivity fall which might derive from workers' control over labour organisation might be tempered by profit-sharing. Greater variability of earnings - during the cycle and across firms - strengthens under profit-sharing the case for codetermination already present in workers' exposure to employment risk in the wage régime. The income premium required by risk-averse workers to replace some of their fixed wage with a variable profit share can be reduced by their involvement in the decisions which expose them to income variability in the first place. The reduction in conflict frequency and intensity expected from codetermination is enhanced by profit-sharing because for each worker it partly internalises the conflict between "us" and "them" otherwise manifested and enacted externally; in any case it is a requirement of any effective incentive system that power and responsibility should not be separated.

The quantification of degrees of "codetermination" and to a lesser extent of "profit-sharing" raises conceptual and practical difficulties (though see Cable, 1985). By and large we can observe a certain correlation between the two: both codetermination and profit-sharing are zero in the pure capitalist enterprises and unity in cooperatives and other forms of partnerships of capital and labour; minor forms of codetermination (or

conversely of profit-sharing) tend to go hand in hand with minor forms of profit-sharing (or of codetermination); a high degree of one without the other is virtually unknown.

The combination of 100 per cent codetermination (= self-determination) and 100 per cent profit-sharing (= net revenue sharing) obtained in cooperative firms, according to conventional literature, is subject to economic stimuli of a somewhat "perverse" kind. These are primarily: restrictive employment (= membership) policies; destabilising and Pareto-inefficient reactions (or at best inelasticities) to price changes and technical progress; a low propensity towards self-financed investment (Ward, 1958; Vanek, 1970). In empirical studies of cooperative firms there is no incontrovertible evidence of these phenomena, which are probably partly offset by other economic (job security, growth-mindedness, etcetera) and non-economic stimuli; but there is a presumption that - albeit in a weak form - the same tendencies and, in particular, employment restrictive policies might be associated with codetermination. We can also presume that workers' eagerness to press and ability to assert demands for codetermination, as in the case of other demands, increase as unemployment diminishes. Hence the employment-generating benefits of profit-sharing can be at least partly offset by the restrictive employment policies possibly associated with codetermination brought about by profit-sharing and by greater proximity to full employment. Recent empirical studies suggest modest but sizeable improvements in economic performance from codetermination and profit-sharing (Cable and Fitzroy, 1980; Estrin <u>et al.</u>, 1984) when and where they occur but there may have been costs that remained unobserved and, in any case, the improvements cannot be generalised.

5. Markets and policy

Degrees of codetermination and profit-sharing may well be regarded as desirable on "political" (as opposed to "purely technical") grounds such as equity and social peace. They may also be the best policy instruments in the pursuit of public objectives such as stability, employment and growth, in the sense of having the least cost in terms of public funds or offering the most attractive trade-offs between alternative targets. Otherwise, as Jensen and Meckling argue for codetermination and one can also argue for profit-sharing, if it is truly beneficial to both stockholders and labour no laws would be needed to force firms to undertake reorganisation (1979, p. 474). Yet renewed and insistent calls for public intervention in favour of profit-sharing without codetermination have been put forward by M.L. Weitzman in recent writings (1983, 1984, 1985a, 1985b, 1986). The proposal has been enthusiastically received in certain academic and political circles and hailed as a breakthrough in the specialist press.

Weitzman's novelty, the foundation for this renewed fascination with profit-sharing, is the rash assertion of two propositions. First, that long-run full employment equilibrium under profit-sharing is associated with permanent but non-inflationary excess demand for labour, which cushions off the economy from contractionary shocks and gives new dignity and status to labour. In adman's language we are told, for instance: "A share system has the hard-boiled property of excess demand for labor, which turns into a tenacious natural enemy of stagnation and inflation. The share economy possesses a built-in, three-pronged assault on unemployment, stagnant output, and the tendency of prices to rise. This is a hard combination to beat" (Weitzman, 1984, p. 144). Second, that even in the short run the share economy can achieve and maintain full employment. For instance: "The share system, ..., has a strong built-in mechanism that automatically stabilizes the economy at full employment, even before the long-run tendencies have had the chance to assert their dominance. .... a share economy has the direct 'strong force' of positive excess demand for labor ... pulling it towards full employment. ... the strong force of the share system will maintain full employment" (Weitzman, 1984, p. 97).

Were these claims well founded an enlightened government possessing these truths would be justified in forcing profit-sharing onto a yet unconverted and disbelieving public, thus achieving full employment, price stability and growth at a stroke. Unfortunately miracles exist only for the uninformed and the faithful, but do not bear the weight of sober scrutiny. First, excess demand for labour at full employment cannot be sustained and can only be a temporary disequilibrium. Second, permanent excess demand for labour is inconsistent with lack of codetermination, and when this is introduced restrictive employment policies will alter the picture. Third, and most important, there is no guarantee that full employment can necessarily be achieved. Without these benefits the alleged "public good" merits of the sharing contract disappear.

6. Can excess demand for labour persist at full employment?

Suppose that the share economy reaches a state of full employment. Weitzman maintains the presence and persistence of excess demand for labour in long-run equilibrium on the basis of the following argument:

(1) labour total pay = marginal revenue value of labour productivity at full employment

because long-run equilibrium must be full-employment equilibrium and because of the underlying homomorphism of profit-sharing and wage contracts in long-run equilibrium (Weitzman, 1983). By definition of profit-sharing

(2) labour total pay = fixed pay + share of net profits

where fixed pay is greater than or equal to zero, and the share of net profits is greater than zero. It follows from (1) and (2) that

(3) marginal revenue value of labour productivity at full employment > fixed pay = marginal cost of labour to firms

i.e. firms will wish to employ more morkers than are available. A permanent state of excess demand for labour will exist, which will protect full employment from contractionary shocks, as long as shocks do not reduce the marginal revenue value of labour productivity at full employment below the fixed element of pay, in which case the maintenance of over-full employment requires a reduction of the fixed element without cutting earnings as much as necessary in the wage régime.

There are three grounds for refuting this syllogism. First, firms should be well aware that, whatever their pay formula, they can only attract workers by offering the going rate for labour total pay and should regard this, and not the fixed element of pay, as marginal cost of labour. If firms behave as they should, excess demand for labour disappears.

Second, if firms regard the fixed element of pay as the marginal cost of labour they should find its being lower than the marginal revenue value of labour productivity disquieting enough to experiment with alternative combinations of pay parameters without raising total pay above labour productivity. Risk averse workers preferring fixed pay to potentially variable earnings of identical mean, risk-neutral or risk-loving employers will reduce their labour cost by raising the fixed element of pay at the expense of workers' profit share; even without taking into account attitude to risk it is plausible to expect managers to experiment with alternative pay parameters and not to rest until they have equalised their marginal cost and marginal value of labour, i.e.

(3') marginal revenue value of labour productivity at full employment = fixed pay

which can only be reconciled with the definition (2) of a profit-sharing contract if the workers' share of net profit is zero: with the sharing component of earnings the "share economy" also vanishes and reverts to the fixed wage economy without any excess demand for labour.

Third, workers perceiving excess demand for labour are likely to reduce their supply of effort and/or increase turnover - as they do in the only known instances of permanent excess demand for labour, i.e. Soviet-type economies (see Lane, 1985) - if not right down to the point where their marginal product equals fixed pay at least as close to that level as they are allowed to get by monitoring and supervising arrangements. This is another mechanism which can reduce and eliminate excess demand for labour if it occurred.

7. Can codetermination be excluded at over-full employment?

The lack of codetermination is an explicit precondition of Weitzman's claims[1] (though not of Vanek's, who does not claim full and over-full employment of labour and does not need this restriction). We know that it is possible to exclude workers from codetermination in the presence of persistent unemployment; such exclusion might be difficult at full employment, and it would certainly be very difficult with excess demand for labour, but the persistent state of excess demand for labour postulated by Weitzman should make the exclusion of codetermination, whether or not employment questions are directly involved, impossible without an authoritarian or military régime. This is not a moral, or legal, or legalistic proposition; it is a question of "practical politics".

Once workers have a say on output, employment and pricing and related questions (investment, innovation, etcetera) they will try and resist the very possibility of dilution of their own shares just as shareholders usually resist the dilution of share capital; for better or worse they are likely to adopt, or are tempted to adopt, other things being equal, restrictive employment policies in the possibly misguided and self-defeating purpose of raising or maintaining individual earnings. This is not a case against profit-sharing, but an argument for not expecting that over-full employment, if achievable, can be sustained necessarily, i.e. an argument against the plausibility of Weitzman's model (see Nuti, 1985).

8. Can profit-sharing guarantee full employment of labour?

The foundation of Weitzman's claims on behalf of profit-sharing is the assertion that, even in the short run, the share economy "delivers" full employment of labour.[2]

For a share economy to "deliver" full employment three necessary conditions must be satisfied simultaneously:

i) the physical marginal productivity of labour at full employment must be positive;

ii) the marginal revenue obtained by firms from that physical marginal product of labour must also be positive;

iii) the fixed element of pay in share contracts must be flexible enough to fall down to the level of the marginal revenue product of labour at full employment, positive as it may be.

The first condition rules out the possibility of classical unemployment, i.e. due to lack of equipment, land or other resources in the quantities necessary to employ all workers efficiently. Yet, after over a decade of deep and protracted recession, deindustrialisation and decapitalisation, even advanced industrialised countries such as Britain or France today cannot be expected to be able to satisfy this condition as a matter of course, not to speak of Italy or, say, Spain, or of less developed countries. In his formal model Weitzman (1985b) postulates constant physical productivity of labour; this is a plausible assumption up to near-full capacity but Weitzman gives no reason why the capacity should be constrained by labour instead of other resources.

The second condition rules out the possibility of keynesian unemployment, i.e. aggregate demand constraints making the marginal product of labour valueless before full employment is reached. Even if the first condition was satisfied, imperfect competition - which in all of Weitzman's work provides the environment in which the share contract is to operate - provides an excellent reason why firms might not give to additional physical products a positive value. Weitzman can assert that "... a 'pure' sharing system not having any base wage would possess an infinite demand for labor" (1985b, p. 944), which implies positive marginal revenue for any level of output, because of the very special assumption that the elasticity of substitution among all goods is greater than unity (*ibidem*, p. 938), which makes demand curves absurdly and indefinitely elastic even for imperfectly competitive firms. The proposition cannot have any claim to general validity.

Even if demand for labour were to be infinite in the pure share economy, i.e. with a zero fixed element of pay, it would not necessarily be infinite, or even large enough to reach full employment, for a positive fixed element of pay. Weitzman neglects the determination of the relative weight of the fixed and variable components of the share contract but recognises the impossibility of total dependence of pay on profit; yet he takes for granted, for no good reason, that the fixed element of pay can be compressed down to whatever is the full employment marginal revenue product of labour, which we do not even know for sure is positive.

It is a non controversial feature of the sharing contract, known from Vanek (1965), that the replacement of part of the wage by a profit share of identical average cost to firms will lead to greater employment, higher output and lower prices - in the absence of large enough adverse feedback on investment (which Weitzman recognises as a possible short run effect of the introduction of sharing) and in the absence of large enough feedbacks of accompanying codetermination on firms' employment policy. But there is a world of difference between higher employment and full employment and another world of difference between full employment and persistent over-full employment; no serious work can afford to switch indifferently and cavalierly from one to the other.

9. Is the share contract a "public good"?

If the share economy could really guarantee, as general and necessary consequences of its establishment, the achievement and stability of full employment without adverse drawbacks there would be a case for public policy treating the share contract as a "public good" to be pressed willy nilly on an unenlightened public still largely unaware of potential benefits, as in the case of safe vaccination against infectious disease. The case for the share economy would not be much greater than that for enforced wage flexibility, which would also guarantee full employment and stability under the same circumstances. A downward flexible wage would not deliver excess demand for labour but this is a questionable achievement and would not be necessary to absorb contractionary shocks if wages were flexible; downward flexible wages would also require a greater fall of money earnings to achieve full employment in the short run and may be more likely to bring about adverse effects on aggregate demand; otherwise there is little to choose between the two, except for the lower degree of public resistence that can be expected for share contracts with respect to wage cuts.

In fact if the share contract could really deliver and maintain full employment, while a wage economy could not, the greater variability of workers' earnings associated with profit-sharing over the cycle would disappear and, between firms, could be eliminated by labour freely redeploying itself at will across labour-hungry firms; the variability of employment would also disappear; workers would have de facto free access to a job in any firm of their choice, as in forgotten utopias (Hertzka, 1890; Chilosi, 1986). Thus it could be said that "... a move towards profit sharing represents an unambiguous improvement for the working class" (Weitzman,

1985b, p. 945). But we have seen that profit-sharing cannot guarantee full (let alone over-full) employment. Without full employment, the higher variability of earnings associated with profit-sharing remains and it may or may not be compensated by the higher mean value of employment probability and perhaps real earnings. Outside over-full employment, in fact, the share economy is just as vulnerable to contractionary shocks as the wage economy because, in spite of flexibility of labour earnings in the share régime, the marginal cost of labour to firms (which is the fixed component of workers' pay) remains constant just as does the wage. Thus the higher stability of employment to be found in Japan simply cannot be the result of profit-sharing, as Weitzman firmly believes, seeing that Japan has never known a state of over-full employment; higher employment stability would require workers' shares in GNP instead of their enterprise's profits.

The fact that the adoption of a share contract, without the guarantee of stable full employment, has a cost for workers, eliminates the necessity, but not the possibility, of the share contract having "public good" features. A vaccine may be somewhat unsafe, its degree of unsafety acceptable to all if vaccination is universal and all benefit from reduced exposure to infection, yet individuals benefit from free-riding strategies and the enforcement of universal vaccination as "public good" can still be beneficial to all. If labour contracts were negotiated exclusively at the level of individuals or firms the external beneficial effects of the share contract might be lost from sight; but these external benefits - unlike the case of genuine "public goods" - are completely internalised in nationwide negotiations between associations of employers and employees. Admittedly the benefits, such as they are, of profit-sharing may be still unknown to the public at large and deserve wider publicity. But it is counterproductive to foist a good medicine on a sceptical public by claiming that it can guarantee longevity or immortality. At the first signs that such excessive claims are unfounded it may be thrown away despite its real lesser benefits.

10. Conclusions

Codetermination and profit-sharing are departures from two standard features of labour contracts: workers' subjection to employers' authority and a fixed money wage for labour time. These departures have positive and negative implications for employees and employers which are interdependent and - within the limits set by government in its pursuit of policy targets - are balanced out directly or through compensatory adjustments in other parameters of the labour contract by market transactions determining the actual degree (if any) of codetermination and profit-sharing.

Codetermination reduces labour disutility from work, the frequency and intensity of conflicts and workers' exposure to risks outside their control. Profit-sharing raises labour productivity through workers' cooperation and collective supervision, stabilises profitability at the expense of greater variability of workers' earnings and, above all, raises employment and output levels for a given level of workers' earnings while simultaneously reducing inflation. The benefits from profit-sharing, known from Vanek (1965), have been oversold in recent literature through claims that, in the absence of codetermination, profit-sharing necessarily delivers full employment and persistent excess demand for labour, with the side-benefits of improved labour status, resilience of full employment in the face of shocks, and growth. These alleged benefits being external to firms, the sharing contract is regarded as a "public good" (Weitzman, 1983, and elsewhere, cited above).

Closer scrutiny shows that excess demand for labour cannot persist at full employment due to short-term adjustment of both pay parameters and/or effort supply as well as to the firm's perception of the labour constraint. Lack of codetermination is inconsistent with full and persistent over-full employment and its introduction would alter labour demand through restrictive employment policies preferred by employed workers. Profit-sharing cannot guarantee full employment of labour unless classical and keynesian

unemployment are specifically excluded and the fixed element of pay is sufficiently flexible. It follows that there is no guarantee of greater stability of employment and earnings; the profit-sharing contract is not absolutely superior to the wage contract and it is up to contracting parties to consider and weigh the advantage and disadvantage in degrees of profit-sharing and of codetermination which, to some extent, will be associated with it, in individual and national negotiations between employers, employees and their associations in the labour market.

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Footnotes

1. In the earlier version of his analysis Weitzman takes a sanguine view of the possibility of keeping codetermination in check. "... the bargaining power of labor unions is not a natural right..." (1984a, p. 109); "... the decisions on output, employment and pricing are essentially made by capitalists" in his model (ibidem, p. 132). "I can see no compelling reason why a capitalist firm should be more prone to allow increased worker participation in company decision making under one contract form than under another" (ibidem, p. 133, emphasis added). His latest version is more open-minded: workers' participation in decision-making becomes not only possible but desirable as "a question of justice and practical politics" as long as it excludes employment decisions (1986). It is extremely hard to imagine any major decision, in which workers might have a voice, that would not directly or indirectly also affect employment. Either this limitation or workers' participation would have to give way.

2. "Resources are always fully utilised in a share system" (Weitzman, 1985b, p. 949). Real world frictions, inertias and imperfections are mentioned only to be exorcised, and to reassert the full employment claim at least as a "natural tendency" (ibidem, p. 949, p. 952) of the share economy which, we are told, "delivers full employment" (1986). See also Weitzman, 1984, p. 97.

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