Romer's "Equal Opportunity" Development Model and Its Enlightenment
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Abstract. John Romer, a professor on economic and political science at Yale university, a famous American economist, who proposed the "Equal Opportunity" development model in his pioneering exploration about where the society should go, in which "Equal Opportunity" is the kernel focusing on "self-realization, welfare equality, political influence, and social status" by "securities" mechanism including public ownership, market leading and state intervention, bank supervision and interaction with the enterprise, stock financial guiding income distribution's innovative. This enlightens us that we should stick to market decisive role with government intervention in economy to reform and improve banking and financial institutions making use of stock financial market to ensure economic take-off and Shared Development.

1. Introduction

John Romer, a professor on economics and political science at Yale university whose research field involves the economics of distributive justice, optimization economics, microeconomics, exploitation and class, the future of socialism, and distributive justice, in which the most famous one is the "Equal Opportunity" model. Therefore, it is very important to study Romer's "Equal Opportunity" development model for us to use market’s decisive role and promote economy re-take-off with Shared development.

2."Equal Opportunity" Development Model’s Connotation

Romer's "Equal Opportunity" development model is an important theoretical achievement to explore future society’s direction from the double reflection on the traditional socialism in the Soviet Union and Eastern Europe and contemporary capitalism development especially with a theoretical conception based on American’s market economy practice. Romer argued that future social organizations must cover three basic goals: "a. Equal Opportunity for self-realization and welfare; b. Equal Opportunity for political impact; c. Equal Opportunity for social status".[1] As for the order realizing the "Equal Opportunities", he did not give a substantive solution to choose "a-b-c" or "b-a-c", but he explicitly denied the possibility realizing the three opportunities at the same time, instead, he preferred realizing the style step by step. Romer pointed out that "equal opportunity for self-realization and social welfare" was not the same as "self-realization and welfare equality", but referred to the opportunities for "self-realization" and "welfare equality". "Self-actualization" refers to individual talents’ development and utilization in a way that makes life meaningful which not only affirms enjoying happy life in general, such as delicious food and family happiness, but also emphasizes a kind of "self-transformation" achieved through struggle; "Welfare opportunity" does not refer to welfare itself, but emphasizes time, place, means, methods and other opportunistical elements to access to welfare. According to the same idea, he clearly defined the opportunity’s equality for political influence and social status, and the future society is bound to maximize "the opportunities level in self-realization and welfare, political influence, social status equality ".

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3. "Equal Opportunity" Development Model’s Characteristics

3.1 Public Ownership for Production Means

Romer did not agree with the public ownership represented by state ownership in the Soviet Union and Eastern Europe, nor did he fully agree with the private ownership in capitalist countries. Instead, he designed the public ownership means based on "equal opportunity". Romer thought public ownership was neither like the traditional public’s sense nor the capitalist countries’ private ownership, it must be one that can promote the "three equal opportunities" with various forms. He pointed out that public ownership included "state-owned enterprises controlled by the state, society-democratic property controlled by the people, society-republican property, labor management enterprises managed by workers"; also included "non-profit enterprise, limited liability company, sole proprietorship enterprise, cooperative enterprise" and other diversified forms. [2] In terms of public ownership’s realization, Romer gave the "securities" mechanism that the government distributed state enterprises in securities to every adult over the age of 21 to ensure that every adult has equal production means. These securities are tradable but are not allowed to be exchanged for cash; Citizens receive dividends from securities by owning securities shares with a corporate profits balanced distribution. When the citizen dies, he must return the securities to community property.

3.2 The Combination between Market Dominance and Government Intervention

Romer argued that any complex society must use the market mechanism which provides the products for people's "self-fulfillment and well-being," and guarantees very equal distribution. He thought traditional planned economy mechanism had serious "delegate -- agent" problem between planners and managers, managers and workers, planners and the public causing the "bargaining" phenomenon between planners and managers for implementing plan; Lack of motivation among manager-workers due to lack of conditions for dismissal; Tensions between planners and the public intensified. It is this "principal-agent" contradiction that leads to the traditional planned economy's soft budget constraint and low economic efficiency. He pointed out that the principal-agent problems didn’t come from planning system itself, but without introducing market mechanism. Therefore, he argued that society must choose a market-oriented economic mechanism. He emphasized the state’s macro-intervention in the economy involved in social welfare projects, unemployment benefits, retraining programs for workers, and also in investment programs, either directly or indirectly by directing investment with the following reasons: the positive external factors of investment. For those behaviors which the investment profit is not completely owned by the enterprise, the state cannot guide the enterprise to invest in the industry, so the state investment is relatively appropriate and important; the public welfare construction undertakings. Government investment in infrastructure such as highways, DAMS, railways and communications systems is more efficient than corporate investment; incomplete market compensation. If the state can predict market risk problems, it will improve enterprises to invest and produce and reduce the market shocks destructiveness.

3.3 Banks’ Supervision Mode to Enterprises Featured by "Securities Economy"

3.3.1 "Securities economy" can realize income distribution’s equalization and "public hazard" level’s rationalization. Adult citizens can buy enterprises shares through a fixed number of "securities" or "vouchers" distributed equally so as to have corporate profits distribution. Since "securities" cannot be traded for cash, citizens can only trade enterprises’ stock through "securities" realizing the price fluctuation to achieve "securities trading". At the same time, corporate "securities" have always been in the people’s majority causing the corporate ownership being in the public. And the "securities" market, like the capitalist stock market, provides discipline for business management. When citizens die, they must hand over "securities" to the public purse and continue to distribute them through a new generation, thereby equalizing income distribution. In addition, he pointed out that the corporate profit maximization inevitably caused "public nuisance" a kind of harm to every person", [3] as many employers to lay off workers leading to "unemployed" caused public nuisance; Enterprises use...
"pollution" environmental to pursue profit increase which threatens all citizens’ welfare. He implied that "securities" economy could control the "public hazards" at a reasonable level through "securities" pricing system because all adults have equal access to "securities", they can reduce the dangerous practice sacrificing all interests for the sake of profits.

3.3.2 "Securities economy" can achieve high efficiency. He recommended that businesses be organized around a small number of main Banks. Among them, the major Banks are responsible for loan agreements to finance their group's businesses and oversee their operations. The "securities" market is responsible for providing barometers of performance for citizens and Banks, allowing citizens to choose how to take risks. If "securities" price decreases, the bank shall supervise and investigate the business operation so as to guarantee the repayment of loan funds. Citizens can choose to sell or transfer according to the market securities’ price to stimulate business conditions. Romer highlighted three issues. First, how to ensure that Banks play a supervisory role. He suggested that Banks be constitutionally guaranteed a considerable independence from the state. Second, whether Banks can supervise enterprises. He argued that "securities" economy could effectively combine the stock market and institutional regulation through Banks. People can understand and grasp the general situation about enterprise operation according to the stock market, but they cannot take effective and reasonable measures to help enterprises improve the operation effect. With the help of the bank, the enterprise can accurately grasp the current business situation, and transform the supervision intention into specific supervision measures. Third, how to deal with international capital. He suggested that the state could regulate the rights for foreign investors through relevant laws, appropriately limit the investment foreign capital export, and realize the national income maximization and full employment. At the same time, he also pointed out that "securities" economy still needed to be protected by a sound financial system to prevent the "black market trading" and "cash cow" problems in the stock market so as to ensure the "securities economy".

4. “Equal Opportunity” Development Model’s Enlightenment

4.1. Paying attention to Equal Opportunities

Romer's "Equal Opportunity" model from the self-realization, social welfare, social status, political influence clarifies that "Equal Opportunity" does not mean that the average social welfare and political influence, but through equal opportunity to achieve a higher level equilibrium form. When we explore the practice for social welfare, political influence, social status, we still can find the imbalance, such as personal inadequacies, high social welfare, which suggests that we should fully understand imbalance objectivity feature, equal opportunity does not mean equilateralism, and the difference between objects and results is not contradictory, a certain degree of imbalance is an inevitable expression for balance. Only when the material wealth is extremely rich and the spiritual wealth is extremely high can the unbalanced contradiction be completely solved.

4.2 Emphasizing Market and Government’s Function in the same Direction

Liberal market economy sticks to the idea that "the state's task is not direct intervention in economy, at least when the economy does not need intervention" modern market economy’s policy is to use all existing tools for all economic policy permission", [4] which indicates the state intervention’s possibility and necessity in the economy. Romer’s "Equal Opportunity" development pattern enlightens us that we must deal with the border between market’s decisive role and government’s function. Market’s decisive role must be reflected in resource allocation field, and government decisive role is still very important in politics, cultural and social fields. In addition, Market’s decisive role in resource allocation field cannot be separated from government’s guiding and compensating role. Romer emphasized the positive factors outside the market, social welfare undertakings and incomplete market compensation, which are more important. Education, research and other major issues concerning Chinese development need to rely on state investment; Public welfare undertakings such as high-speed railways, aerospace, Bridges, tracks, communication
projects, network projects, social security and projects to improve people's livelihood must all rely on state investment. And generally market system and market rules construction, market environment optimization, market regulation also need government participate in the management.

4.3 Strengthening Bank Supervision’s Mechanism Construction over Enterprises

At present, all kinds of financial institutions in China are springing up, which greatly promotes the economic development. However, China's financial development is not mature enough, which requires policy management and supervision. Romer's "Equal Opportunity" development pattern enlightens us that we should ensure Banks and other financial institutions as the core position in national economic development, guarantee the bank’s relative independence, perfect individual manager function that "promote the enterprise’s economic efficiency and realize enterprise’s profit maximization", [5] perfect effective cooperation mechanism between Banks and enterprises, safeguard the financial capital allocation to obtain maximum benefits in financial development, encourage bank lending funds efficiently; At the same time, we should make bank supervise enterprises, so as to ensure enterprise development. In addition, through the cooperation between Banks and other financial institutions, the whole society’s capital should be used to maximize capital profits, and promote economy and the people's living standards further improvement.

4.4 Playing Finance's Function in Regulating Income Distribution

Contemporary China has entered Shared development era in which Sharing "labor process" and sharing "labor fruits" have become the core mechanism in social development. Romer's "equal opportunity" development model explores public ownership from the "securities" economy model and realizes the assumption of regulating economic development and equalization of income distribution enlightening us that we should make stock market diversified financial tools to achieve sharing enterprise profits dividends, and promote enterprise funds’ socialization and balance. In a market’s decisive role period, we must improve all kinds of stock market and futures market, social insurance, social service market to promote the Internet financial engineering, provide financial development policy specification, correctly handle the relationship between virtual economy and real economy financial, realize reasonable profit sharing mechanism to provide a good environment for sharing social development.

5. Conclusion

Romer’s "Equal Opportunity" development model puts forward some new ideas from public ownership, market mechanism, state’s intervention in the economy, "securities" economy, banking supervision enterprise and so on which provides reference and enlightenment for us to explore market decisive role to deal with the relation between government and market, perfect the banking financial institution reform, regulating the income distribution system construction.

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References