

## REVIEW ESSAY / NOTE CRITIQUE

# Retirement's Past, Present, and Possibilities

**David M. Brennan**

Davis, Ronald B., *Democratizing Pension Funds: Corporate Governance and Accountability* (Vancouver: UBC Press 2008)

Ghilarducci, Teresa, *When I'm Sixty-Four: The Plot against Pensions and the Plan to Save Them* (Princeton and Oxford: Princeton University Press 2008)

Hebb, Tessa, *No Small Change: Pension Funds and Corporate Engagement* (Ithaca: Cornell University Press 2008)

Quarter, Jack, Isla Carmichael, and Sherida Ryan, eds., *Pensions at Work: Socially Responsible Investment of Union-Based Pension Funds* (Toronto: University of Toronto Press 2008)

REVIEWERS HAVE THE BENEFIT of hindsight. This is especially true of the present review of four books concerning retirement and pension policy, all of which were penned prior to the crisis that depressed global equity markets in the last quarter of 2008 and continued to plague markets throughout 2009. The current crisis suggests that post-Enron and current Sarbanes-Oxley economies in the US are apparently not that different from pre-Enron and pre-Sarbanes-Oxley economies. Hence, it is clear that the post-Enron but pre-2008/2009 crisis calls for more stringent government oversight and better shareholder activism did not produce the intended results. We may ask ourselves therefore: what is to be gained by suggesting more of the same kinds of policies? Of course, one can argue that the policy prescriptions brought on by the corporate scandals that began the decade were not properly implemented or adhered to thoroughly enough. But maybe, just maybe, there are more fundamental problems with capitalist economies that demand a more critical and radical analysis to unearth. When will we finally stop being surprised by economic collapses, poor outcomes for labour, and the failures of state policy?

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David M. Brennan, "Retirement's Past, Present, and Possibilities," *Labour/Le Travail*, 65 (Spring 2010), 161–173.

As I read much of the literature on institutional investor activism and socially responsible investment, to which I am also a contributor, I find myself becoming increasingly frustrated by it.<sup>1</sup> The proponents of activism tend to overemphasize the few gains, and they tend to minimize the many failures of the movement. As a progressive who supports investor activism, I think it is necessary that one experience less cheerleading and be exposed to the many contradictions, failures, and hurdles which this form of activism faces. Only then can the movement become more effective.

In *No Small Change*, Tessa Hebb demonstrates how large pension funds are using their strength to influence corporate behaviour for the better. On the very first page, the reader is introduced to a theme carried throughout the rest of the book, namely the benefits of investing in corporations that take environmental, social, and governance (ESG) factors into their business decisions. The role for active pension fund managers therefore is to encourage, cajole, or even embarrass corporations into paying more attention to these extra-financial aspects of firm behaviour and decisions. The reason for such pressure is that corporations that adhere to ESG ethical standards gain value for investors over time. In short, the role of active pension fund managers is to convince corporations that ethical behaviour is also sound financial behaviour – a win-win situation for corporations, investors, and the community.

In chapter 2, Hebb makes a point of exploring an often overlooked aspect of activist investors. The author contrasts socially responsible investment (SRI) with pension fund engagement surrounding ESG issues. Both seek similar behaviours from firms, but for different purposes. For SRI, the issue is the greater good for society; for ESG investing, the issue is maximizing the long-term value of the firm. The author shows how these different approaches can combine efforts to better affect corporate governance. To the author's credit, a few paragraphs are dedicated to the relative failures of each movement. However, one comes away with the impression that the movements are more successful than they really are. Hebb cites evidence from 1990 to May 2005 that the screened Domini 400 Social Index outperformed the S&P 500 Index by 65 points. (22) This suggests that being good pays. But more recent data, not available to the author at the time of publication, tell a different story. Starting from 30 June 2009 and going back ten years, the Domini 400 underperformed the S&P 500 by 17 percentage points.<sup>2</sup> Apparently, being good does not always pay, not even in the long term.

In another attempt to show the power of activist investors, the author points to the all-too-frequently cited case of divestment in South Africa as a chal-

1. For example, see David M. Brennan, "Enron and Failed Futures: A Critical Appraisal of Policy and Corporate Governance in the Wake of Enron's Collapse," *Social Text*, 21,4 (2003), 35–50.

2. KLD Reports, June 2009 Index Returns <[www.kld.com/newsletter/archive/press/pdf/1247748443\\_200906\\_Index\\_Performance\\_with%20FTSE%20language.pdf](http://www.kld.com/newsletter/archive/press/pdf/1247748443_200906_Index_Performance_with%20FTSE%20language.pdf)> 29 July 2009.

lenge to apartheid. (I must admit that I too have relied on this example.) Yet despite the fact that in 1977 a mere thirteen minority shareholder resolutions were put in place concerning the issue of divestment from South Africa, with only three of them receiving the threshold of three per cent approval needed to qualify for a place on a proxy ballot for the next year, the author claims a victory for shareholder activism by citing Nelson Mandela's comment that "...there is no doubt that divestment campaigns helped to bring down the apartheid regime." (31) I point to this example because it is often believed that investors were the real catalyst for change in South Africa, even though there is little real proof for that assertion. The evidence of effectiveness is, at best, speculative and anecdotal. Therefore, the book begins, for this reviewer, on shaky ground. I am not convinced that doing well pays, or that shareholders wield a large amount of power. But neither would I argue the contrary. Rather, I find the evidence concerning both of these propositions inconclusive.

In chapter 4, the author argues for the economic benefits that derive from improved accountability and transparency. It is unlikely that anyone would dispute that improvements in these two aspects enhance economic efficiency. The author provides valuable evidence of how the demands of the California Public Employees' Retirement System (CalPERS) for improved governance and transparency have led to increases in share values. Furthermore, the author makes clear that "boards of directors are legally mandated to act solely in the interest of the firm." (39) I would suggest that the author make more of this statement. US corporate law does not mandate that firms seek to maximize profits or shareholder value; in fact, the board has a great deal of latitude in determining what is in the best interest of the firm. On the one hand, this means that firms can consider extra-financial aspects, as suggested by the author. On the other hand, this also means that firms are largely accountable to themselves and not other constituencies.

Chapter 5 seeks to position pension activism in a global context. The keys for effectiveness are global standards and the monitoring of those standards. Yet the author spells this out in a rather uncritical fashion. Regarding the setting of standards, she says that "institutional investors' demand for exogenous globally certified standards of corporate, social, and environmental behaviour is a catalyst for companies and countries to adopt global standards or face capital flight." (77) But standards are not easily set and agreed on. And firms are also quite savvy in persuading investors to vote against standards. To cite one example, McDonald's fought against a shareholder proposal for human rights in China on the asserted basis that "existing practices [at McDonald's] in this regard in many ways surpass those raised in the proposal."<sup>3</sup> The lines of demarcation between good and bad corporate practices will always be challenged.

3. See David M. Brennan, "Fiduciary Capitalism,' the 'Political Model of Corporate Governance,' and the Prospect of Stakeholder Capitalism in the U.S," *Review of Radical Political Economics*, 37, 1 (2005), 39–62.

The issue of monitoring, too, is far from inconsequential or straightforward and does not “verify the accuracy” of anything. (77) Regrettably, the author mentions that Moody’s has added firm-level corporate governance monitoring to its rating services. After the crisis of 2008, one’s confidence in Moody’s or Standard and Poor’s ability to rate or monitor corporations has to be shaken.

The chapter ends with a one-year study of how CalPERS’s application of financial and non-financial standards is being applied to certain countries, and how this has acted to raise corporate governance standards in those countries. Unfortunately, the time frame under investigation is too small to glean much information from this study.

I regret to say that the final chapter includes an optimistic stance on the lessons learned from the 2000 collapse: “In the wake of the 2000 stock bubble collapse and the failure of several corporate giants, pension funds, policy makers, and even the public became sensitized to the need to raise standards of corporate behavior.” (97) If one assumes that pension funds were concerned with long-term growth, the collapse of 2008 shows that they are incapable of getting firms to comply. This does not mean that pension funds are not part of the solution, but they are not the silver bullet to achieve economic efficiency and all-around good to the extent argued by Hebb.

*Pensions At Work: Socially Responsible Investment of Union-Based Pension Funds* provides an excellent collection of wide-ranging contributions to the literature on union pension management. Some contributions are grounded in the legalistic nuts and bolts of pensions, others take a realistic assessment of activism and performance, and another looks at pension fund trustee training. These contributions provide a level of detail not usually exposed in more theoretical treatments of labour pension management. Other contributions to the book are much broader in scope, challenging the assumed logic of the market, and embedding pensions in a larger social economy. The worthwhile introductory chapter, entitled “Socially Responsible Investment of Pensions: Issues and Debates,” by Jack Quarter, Isla Carmichael, and Sherida Ryan, includes interesting findings such as a citation from a meta-review of the literature, showing that while firms targeted by CalPERS may experience a small increase in performance, firms targeted by other organizations are not likely to experience performance gains. (26) This evidence helps to explain Hebb’s enthusiasm for pension fund activism described in her book above, which is largely based on CalPERS’s narrow experiences, but it also reveals the disappointments faced by other institutional investors.

Chapter 2, by Johanna Weststar and Anil Verma, describes the experiences of actual union pension fund representatives serving on pension boards. The experiences of these representatives are so very important, given that labour’s position at the board table is widely considered an essential step for better pension management. Sadly, the title of the contribution, “Just Having It Is Not Enough: Labour’s Voice on Pension Boards,” says it all. The grim truth revealed by this contribution is that labour’s representation may be necessary, but it is

not sufficient for the effective treatment of labour's pension concerns. Based on survey results, labour pension fund trustees find themselves underprepared for the tasks of serving as trustees; they often lack the required knowledge and receive little guidance from the union. (50) Furthermore, courses on pension management are not presented from a labour perspective, making the educational experiences less than fully helpful. (53) Finally, many labour representatives feel like outsiders in the boardroom. (55) The end result is that labour's voice is not being heard on pension issues, even with representation. This conclusion motivates a discussion of how better to address these specific shortcomings. Not normally being a fan of personal interviews, I was initially skeptical. But surprisingly, I found this chapter to be a fascinating look at the experiences of labour representatives. It brought to light the specific hurdles that labour faces when it seeks to get pensions to work better for workers.

The following chapter, "Fiduciary Duties, Investment Spending, and Economically Targeted Investing: A Flexible Approach for Changing Times," by Gil Yardon, gets to what seems to be the core issue regarding pension fund activism – namely, the criteria that fiduciaries can use to evaluate investments while maintaining their financial duty to pension beneficiaries. As pensions become involved in more complex financial dealings and beneficiaries become more diverse in their need for future employment, risk aversion, and concern for the natural environment, the issue of meeting the obligations to beneficiaries is complicated. In the past, the complications for fiduciaries have been partially minimized by the law both in Canada and the US, and by the use of modern portfolio theory to maximize risk-rated returns. But as labour is increasingly put in the position of fiduciary, the scope of externalities becomes more fully appreciated and the realization soon emerges that there is no representative beneficiary for whom benefits can be maximized. In fact, retired, new, and older worker-investors will be affected differently by various investment decisions. Any dictum that fiduciaries should best respond to an abstract and representative beneficiary is difficult to abide by in practice, once auxiliary benefits are accounted for. Consequently, lawyers, academics, and activists are desperately seeking to know the boundaries of what pension fiduciaries can legally do. This is especially the case for investment screens and economically targeted investments, which may provide benefits beyond investment yield to investors, but at the expense of diversification. Yardon does the difficult work of amassing and interpreting the seminal court rulings pertaining to these issues in Canada and the US. For those not interested in the legal minutiae, this contribution can be dry. However, for academics, legal scholars, activists and, most importantly, pension fund fiduciaries, Yardon's chapter provides a succinct set of statements concerning what is and is not legally permissible. This is such a valuable contribution because the threat of failure to comply with fiduciary duty has unnecessarily silenced many proposals for more progressive pension fund management. With this contribution, one has a greater clarity on the issue and on the directives concerning fiduciary duty: no longer

can claims of “fiduciary responsibilities” be voiced indiscriminately, in an effort to foil more innovative forms of pension management.

Chapters 4 and 5 are similar to each other; both attempt to find a “middle way” between the traditional demands of labour and investors. Chapter 4, entitled “Human Capital-Based Investment Criteria for Total Shareholder Returns,” authored by Jane Thomson Comeault and David Wheeler, argues that SRI screening on human resource criteria can provide win-win outcomes for investors, workers, and other stakeholders. Chapter 5, “Corporate Governance and Environmental Risk Management: A Quantitative Analysis of ‘New Paradigm’ Firms,” by Gordon Clark and James Salo, seeks to show the benefits for pension investors who screen companies that better manage intangible assets such as goodwill and brand image. When companies pay greater attention to the value of intangible assets, they tend to have better corporate governance, foster better investor relationships, and promote better care for the natural environment. Investing in these firms is less risky, as they manage intangible assets well by being more responsible corporate citizens. The authors emphasize intangible assets because they claim that intangible assets now surpass the value of tangible assets for corporations overall. This is a very interesting finding that should change the debates about what firms are good investments. Both of these chapters seek to show that the assumed contradictions among workers, investors, and consumers may not exist to the degree many expect. For example, investing in human capital and incorporating more environmentally-friendly production techniques may produce high employee morale, reduce costs associated with potential environmental damage, and attract customers, thereby bolstering the bottom line. To the extent that it is true, this is worthwhile noting, as firms may be slow to change and not take advantage of win-win situations. The management of intangible assets can create a voice for non-market participants; to cite one potential example, a set of concerned citizens can alter the valuation of a company’s stock by pointing out its failures to take care of its employees. But the management of intangible assets can also work against good outcomes. For example, a firm may have horrendous dealings with employees or the natural world but can “spin” a tale of being a model corporate citizen by donating a percentage of earnings to a homeless shelter or an environmental concern. It is also worthwhile noting that the corporate rhetoric of high growth, jobs, and “progress” often trumps arguments in favor of encouraging balanced growth, raising wages, and saving the environment in the court of public opinion and in investors’ minds.

My Marxian training makes me suspicious of any wide application of a “middle way,” and the evidence presented, while interesting, does not lessen my doubt. But more importantly, middle way solutions threaten to blunt the critical edge of progressive labour pension reforms. It is true that some progressive movements are consistent with increased profits, but what if the two are not always compatible? Should one use pension activism to support labour issues only when it can reap gains for capitalists as well? Furthermore, what

is the distribution of gains in a win-win situation? Wage growth, at least in the US, is minimal at best while productivity soars. Is that a good win-win? Are there better win-win situations? Are some win-lose situations better than win-win situations, especially when labour and the environment are winners but profits suffer potential setbacks? Such questions are not adequately addressed in these two chapters.

Chapters 6, 7, and 8 explore different aspects of labour's pension involvement in economically targeted investments. Laurie Mook, in "Social Accounting and Reporting for Economically Targeted Investments: The Expanded Value Added Statement," provides a model to evaluate ETIS on the basis of a social accounting scheme that includes economic, social, and environmental factors. The critical insight provided by the author is that accounting "is a driver of behaviour." (177) Hence, an accounting system that incorporates the costs and benefits to a wide range of shareholders should legitimize a better set of ETIS than one that is focused on financial profits alone. Accounting for an investment's social and environmental costs and benefits is by no means a standardized practice. However, by critically examining standard financial accounting as the basis for evaluating an investment, one gets a profound appreciation for the interconnectedness of social, economic, and natural spheres. Social accounting forces one to consider a broader set of stakeholders, by challenging the previously assumed boundaries of a firm. Chapter 8, entitled "Economically Targeted Investing: Financial and Collateral Impact," by Kathryn Manley, Tessa Hebb, and Edward T. Jackson, finds that inefficiencies in capital markets provide opportunities for pension funds to fill "capital gaps," receive adequate risk-adjusted rates of return, and serve some of the social needs of a community or state. From this perspective, if an ETI is actually filling a true capital gap, "investors should both receive excess returns and support economic development." (226) The idea is that a geographical area, such as an inner city, may be underserved by the existing private capital market. Assuming that profitable opportunities exist, a pension fund can extract those profits while simultaneously serving the inner city. The chapter tests this hypothesis with data from CalPERS's investments in California and from investments from Canadian pension funds. Unfortunately, neither data set provide concrete findings. The authors nevertheless remain cautiously optimistic that win-win situations are possible. However, empirical findings are not really needed. If pension funds find any type of true capital gap, returns will follow. The more important question is: how extensive are the capital gaps? If they are small, pensions can only accomplish little with this strategy. Also, one must question the extent of collateral benefits, as each ETI is based primarily on risk-weighted financial returns. The contribution mentions a few potential collateral benefits from ETIS but does not attempt to measure or situate these benefits in any comprehensive fashion.

In contrast to the favourable take on ETIS by Manley, Hebb, and Jackson, John Loxley, in "Union Pension Funds and Public-Private Partnerships,"

exposes a darker side of ETIS. In particular, he explores the politics of public-private partnerships involving the Ontario Municipal Employees Retirement System and ETI investments in Canadian infrastructure. He finds that large financial returns from these projects often come at the expense of taxpayers or workers on the projects, and he concludes that profit has been the bottom-line motivation for the projects. More specifically, “the high returns were the result of lucrative lease arrangements, monopoly pricing, or obtaining public assets at bargain basement prices.” (182) Loxley’s look at the concrete arrangements and institutions that structure ETIS reveals that the talk about social gains serves to hide the deeper abuses and motivations for ETIS. This article forces one to be wary of ETI labels. The three chapters just discussed bring to my mind invisible hand justifications for capitalist markets. In particular, the greater good, as the story is told, is best served by following the profit motive. Hence, one should not be surprised by examples where investment produces a greater good in terms of employment, goods, services, and general welfare. Doing well financially and doing well socially should go together, if one believes in the invisible hand. But the more difficult questions remain: what specific benefits are produced, who gets them, and how do they come about? From my perspective, it is not enough to show that pension investment can do well for others. One must begin to investigate the specific benefits and the sources of gain and loss. Mook and Loxley approach this level of inquiry and are, therefore, more critical of the benefits produced.

The last two chapters concern the possibilities for change. In chapter 9, “Pension-Fund Management and Socially Responsible Investment,” Ran Goel and Wes Cragg conclude that pension funds have not done enough to encourage ethical business behaviour. Furthermore, they lay out a set of justifications for the reining in of firms by their investors based on ethical, not always business, criteria. The shift away from viewing socially responsible investment in terms of good business is important, as not all socially responsible decisions maximize profits. In order to level the playing field of competition, they propose a set of standards on corporate behaviour. The concluding chapter, “Training for Effective Action: Evaluation of the Quebec Federation of Labour Training Program on the Bargaining and Administration of Pension Plans,” by Alain Dunberry, provides an evaluation of the impact of the Quebec Federation of Labour’s training program on the administration and negotiations of pensions. Dunberry analyzes and evaluates an extensive training program that consisted of five courses that were geared towards pension committee members, members of bargaining and executive committees, advisors, and trainers. Given the experiences outlined in chapter 2 by Weststar and Verma, the program offered by the Quebec Federation of Labour appears to be a model for pension education which should attract the attention of all unions in North America.

Overall, the book covers union pensions from a variety of angles with a variety of contrasting opinions. It is better informed about pension issues at



the institutional level, especially regarding Canadian law and unions, than any other collection of readings on the topic. It is much more grounded, realistic, and critical of what union pensions can accomplish, and it also provides concrete instructions on how to move them forward.

Ronald B. Davis in *Democratizing Pension Funds: Corporate Governance and Accountability* seeks "a further realization of the democratic and egalitarian aspirations of 'pension fund socialism.'" (12) He begins by denaturalizing the role of shareholders and employers, and shows how the often-held view of employers and shareholders as mere profit-seeking agents is largely artificial, as real people are more complicated. A host of institutional constraints, such as fiduciary duties for example, force people associated with firms and pension funds to see themselves and treat others in a narrow profit-maximizing fashion. This significantly reduces a firm's or a pension fund's responsibility to other matters of importance to communities, employees, and owners. This often puts firms and pension funds in a position to support short-term investments that may harm the stakeholders whom the firm and fund are designed to support. Given the complexities of actual people, Davis argues that changes to corporate and pension fund governance may provide more opportunities for democratic participation by constituents, allowing those who are affected to be self-governed.

However, as I read the first chapter, titled "Corporate Investment by Employee Pension Funds: A Deal with the Devil?," I am not always sure what is the devil. Is it the lack of democratic participation among pensioners, or is it the short-termism that comes from existing corporate and pension investment policy? Davis writes that "the seeming conflict between the goals of protecting the interests of plan participants as workers, retirees, or community members and providing an adequate retirement income is more apparent than real. There is no direct trade-off between these goals once the unique characteristics of pension fund investments with respect to timelines and liquidity are taken into account." (20) It appears from such a statement that the devil is current short-termism and that a commitment to long-term investment horizons dissolves class conflicts.

Chapter 2 defines pension plan beneficiaries and takes a broad look at the risks workers face with both defined contribution (DC) plans and defined benefit (DB) plans. Most would agree that workers face risks with a DC plan and hence should be in a position to participate in its management. However, Davis makes the case that the same is true for DB plans, pointing out that firms may reduce wages if pension returns are low. (In such a case, the money saved by the firm, due to reduced wages, is used to pay for increased pension contributions.) This is an often-overlooked point of DB plans and shows how workers face financial risks with both DC and DB plans. Chapter 3 outlines the duties of pension fund trustees and makes the case that SRI is not necessarily incompatible with maximum returns and may be a significant aspect of maximizing long-term investments. Therefore, the argument is made that

financial prudence demands that SRI issues be taken into account. It finishes with a discussion of English and US case law pertaining to pension trustees. Chapter 4 shows the ways in which pension funds can exercise their corporate governance rights to improve fund performance. To the author's credit, he acknowledges authors such as Roberta Romano, who find that shareholder activism does not increase value. Despite this recognition, Davis calls into question such findings by stating, "one wonders ... whether the lack of empirical evidence of improved performance is a function of the actual absence of any such evidence or of the inadequacy of the analytical tools available to measure the links between changes and value." (87) Such a criticism can be pulled off the shelf and used to contest any empirical finding. But more importantly, such statements shield from view the reality that the data we do have show investor activism not to be very effective. That said, Davis does show that the legal costs associated with certain types of shareholder activism are lower in Canada than in the US, suggesting that Canadian activism may be more successful than US activism.

Chapter 5 investigates how securities law constrains pension fund activism. In particular, it demonstrates the hurdles faced by pension fund managers who seek more direct access to corporate boards and the ability to nominate board members but at the same time fear being viewed as "insiders." It also includes a critique of the "market for corporate control." Finally, he includes a well-argued and timely discussion of why commercial governance ratings agencies will likely fail to provide sufficient information to investors. While the last two chapters give activism a dose of reality in terms of achieving true participation, chapter 6 provides a list of suggestions for pension fund management and corporate governance to better position pensioners to participate in the decision-making process which affects them. The policies include mechanisms for increased disclosure by and monitoring of corporations' governance policies and pension funds' proxy voting policies and records. A further suggestion is that pension plan managers and executives be chosen by the beneficiaries. The realm of policies is quite extensive, suggesting that there is no silver bullet policy, but that a set of related changes are required for any significant change to be made in the democratic aspects of the economy.

The book is quite extensive and demonstrates how the legal environment shapes economic processes and thinking. I appreciate the author's reluctance to conclude that SRI, or something like it, will dramatically improve investment returns. In the end, his argument for increased democratic participation by pension beneficiaries occurs more on a humanistic basis than on economic grounds. This is not a bad thing, as the terrain of the debate should not be narrowly confined by economic criteria. My real disappointment is that Davis does not more fully explore the extent to which increased democratic participation by stakeholders is really a challenge to capitalist autonomy, which is predicated on isolating the control over the means of production and the distribution of gains.

I held out hope that this book would be significantly different from most of the literature on stakeholder participation, which seems to shy away from critiques of capitalism. I was disappointed. It is important to appreciate that the current legal structures in both Canada and the US, to different degrees, were developed to maintain capitalists' power to largely control the capital of others. Because it is so effective in maintaining control, capitalists can let workers own a significant degree of capital, in the form of equity shares, with little threat to capitalist autonomy. Any significant change in economic democracy represents an alternative to capitalism, and it will face severe challenges from capitalists and capitalist structures and institutions. However, the view that long-run investment horizons mitigate class conflicts sidesteps the issues of challenges for control to a large degree. Therefore, one could envision a capitalist economy with a long-run focus which is just as exploitative as a short-sighted one.

Teresa Ghilarducci's *When I'm Sixty-Four* provides the widest treatment of retirement issues of the four books reviewed here. Ghilarducci covers in detail the primary sources of retirement funding in the US, including Social Security benefits, defined benefit plans, post-retirement earnings, retirement accounts, income from assets, and imputed housing value. She traces the history of these sources of retirement funds and provides a comprehensive look at the current and future trends for these sources. She defends the view that retirement should be maintained, and she makes the rather surprising argument that it can be maintained and even expanded by promoting otherwise much maligned sources such as Social Security and DB plans. Those interested in the executive summary of policy suggestions can read only the first chapter. However, in so doing, one would miss the rich and eye-opening details about retirement in the US.

Chapter 2 breaks down the sources of retirement funds listed above across categories of gender, income, and cohorts of retirees. The author not only presents the data but also provides explanations for why the trends are occurring as they are. Two particularly interesting findings are that Social Security is likely the most stable source of retirement income, and that more retirement income will come from post-retirement work. Chapter 3 explains why pension coverage is shrinking despite very good reasons for it to grow. The author maintains that decreases in worker power, a change in the nature of work which requires less employee loyalty, tax disadvantages of DB plans, and high interest rates and low financial returns have had adverse effects on pension coverage. Furthermore, DB plans don't impoverish companies; rather, the author asserts that poor companies cause good pension plans to fail. The following chapter explains why DC, 401(k) plans don't work for most people, yet are becoming more popular. This chapter is especially informative in light of recent economic events, which have severely threatened many people's 401(k) funds. For me, chapter 5 on the Social Security system in the US is the most unexpected. There, the author provides a clear case for how and why the Social Security

system provides a vital component of retirement funding and how its solvency can be assured for the next 75 years. This is possible with relatively minor changes such as small increases in federal insurance contributions. Chapters 6, 7, and 8 present some frightening data on the diminishing opportunities for retirement, the levels of labour force participation across countries for people over 65, the distribution of retirement time, and the destabilizing effects on an economy of retirees seeking to increase working hours when 401(k) plans lose value in recessions. Ghilarducci's real contribution here is to bring the realities of fewer opportunities for retirement in the US to light. My only criticism is of the author's claim that the rising ratio of retirees to workers "could cause great strides in labour-saving technologies, resulting in fantastically productive workers." (192) Of course, this is possible, but the effects on labour are ambiguous. Will labour benefit from increases in productivity? The last 30 years in the US suggest that it will not.

Chapters 9 and 10 begin to present a concrete set of policies for the US. The author begins with the labour movement and the need for unions to better position themselves to fight for improved retirement benefits. One component of this is having unions take more control over their pension investments and using their capital to affect corporate behaviours. On this score, Ghilarducci is in agreement with the views presented in the above reviewed books on the importance of pension fund activism. At the same time, the author realizes that unions in the US are weak and getting weaker. Given that it will take more than active institutional investors to turn the tide of retirement for all workers, the book uses the final chapter to argue for a new set of policies, which include Guaranteed Retirement Accounts (GRAs). These GRAs will mandate that five per cent of workers' earnings will be paid into a fund which will be managed by the government and will yield a guaranteed three per cent rate of return. Workers would receive a \$600 tax credit for participation in the mandatory plan. The benefits of this plan are forced savings; financial risk is taken on by the government, and, coupled with a stable Social Security fund, workers should receive 70 per cent of pre-retirement income. Ghilarducci does the math and constructs a good argument that these accounts are feasible within the current political environment.

As Ghilarducci shows, the future looks dismal for US retirees unless there are significant changes in the current financial landscape. Her arguments against market-driven retirement accounts are only made stronger by the present crisis and the fall of stock markets around the world. To be sure, solutions need to be found in the public sphere, as well as the private sphere. Ghilarducci makes a very strong case for public reforms. Despite this advantageous perspective, Ghilarducci reveals a familiar position when she writes, "whether an economy can support nonworkers depends more on productivity growth and the size and strength of the tax base rather than on the ratio of workers to beneficiaries." (282) As we have seen, this view runs through most of the progressive discourse on retirement funding and pension fund activism.

We see repeated attempts to claim that, from a long-term perspective, we are all universal investors who do not gain by externalizing costs such as healthcare or pollution. Essentially, the argument goes, if we take a long-term perspective and incorporate environmental and labour concerns, contradictions between what is good and what is profitable will disappear. This win-win view of long-term economic growth, unfortunately, is more often asserted than is shown in practice.

Certainly a bigger economic pie is potentially beneficial, as there is more to go around. However, there is no reason to believe that it will be fairly or equitably shared in either the short or the long term. By analogy, the problem with world hunger has little to do with the lack of worldwide food production. While short-termism can be problematic, it is not the only issue or even the main reason for workers' lack of retirement funds. A primary reason for why workers don't have enough retirement income has to do with labour's weak position in capitalist economies. Until this literature as a whole discards its fetish of how everyone gains from long-term, environmentally-friendly, and socially-responsible economic growth, it will not be a position to confront the contradictions of capitalism, which keep labour in its current position even though it is more productive than ever. Much of the discourse on investor activism is on the cusp of suggesting a radical agenda in terms of economic democracy but remains too timid to critique capitalism itself.

While Marxism has something to offer this discourse, it too has something to learn. Worker representation alone will not bring about adequate income for those who are working or for those who are retired. The two reasons for this are revealed in the books reviewed above. First, labour and labour representatives do not have sufficient training to be effective, and the dynamics of board level decision-making are not conducive to empowering labour. This is an upsetting reality for proponents of worker representation like me. Second, we find that legal institutions and rulings such as securities legislation, pension fund fiduciary obligations, and corporate governance law have largely removed much human agency from economic decision-making. Indeed, the cumulative development of legal institutions has made human agency largely a passive slave to those institutional arrangements. Therefore, the discourse on retirement-related issues has revealed the power of institutions, and all of economic theory is called to reconsider them. Focusing attention on the role of institutions is the greatest contribution of this literature, and the books reviewed above represent some of the best examples of that.



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