Firms as Political Entities

When people go to work, they cease to be citizens. At their desks they are transformed into employees, subordinate to the hierarchy of the workplace. The degree of their sense of voicelessness may vary from employer to employer, but it is real and growing, inflamed by populist propaganda that ridicules democracy as weak and ineffective amid global capitalism. At the same time, corporations continue untouched and even unremarked as a major source of the problem. Relying on 'economic bicameralism' to consider firms as political entities, this book sheds new light on the institutions of industrial relations that have marked the twentieth century, and argues that it is time to recognize that firms are a peculiar institution that must be properly organized in order to unshackle workers’ motivation and creativity, and begin nurturing democracy again.

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Firms as Political Entities

Saving Democracy through Economic Bicameralism

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with

MIRANDA RICHMOND MOUILLOT
Translator and Editor
In memory of Janek Kuczkiewicz,
in the name of his union brothers and sisters,
ardent defender of citizens at work
in the North and the South, in the East, and the West,
gone too soon but never forgotten
Labor is prior to and independent of capital. Capital is only the fruit
of labor, and could never have existed if labor had not first existed.
Labor is the superior of capital, and deserves much the higher con-
sideration. Capital has its rights, which are as worthy of protection
as any other rights. Nor is it denied that there is, and probably
always will be, a relation between labor and capital producing
mutual benefits.

Abraham Lincoln (1861)

A civilization that uses its principles for trickery and deceit is a dying
civilization.

Aimé Césaire (1972)

I have no doubt that many people will immediately reject the idea
of extending the democratic process to business firms as foolish and
unrealistic.

It may therefore be helpful to recall that not long ago most people
took it as a matter of self-evident good sense that the idea of apply-
ing the democratic process to the government of the nation-state
was foolish and unrealistic.


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Introduction

What about the Workers?

This book addresses a fundamental tension between capitalism and democracy, a tension so great that it has the potential to lead our democratic societies to the brink of collapse. It begins with the observation that life in Western democratic society has created an expectation of voice in the economy and the workplace, which cannot be fulfilled by the arbitrary way in which most firms are run. To be a citizen and to be an employee today is to live with a great contradiction between the democratic culture of our times and the reality of the work experience. Our democratic culture gives citizens a hunger for a voice in the way their lives unfold, while their experience in the workplace is one in which they are reduced to mere production factors. Capital investors truly are “more equal than others” within contemporary firms — specifically, more equal than the employees who invest their labor in those same firms. Capitalism grants capital investors despotic power — in the original sense of that term — over

1 “All animals are equal, but some animals are more equal than others”; George Orwell, Animal Farm (1946).
2 The term “despotic” comes from ancient Greek (Δεσπότες), which means master, owner, lord. For Aristotle (350 BC), the ideal type of despotic rule was the master-slave relationship. Aristotle believed this relationship was justified in this specific case alone because he believed that slaves were by nature lacking in deliberative faculty, and therefore in need of a “natural master” to look out for them and direct their actions (Book I). Despotic rule should take place in the realm of private life, according to Aristotle; in the political domain, it is a symptom of corrupt government: constitutions “which aim only at the advantage of the rulers are deviant and unjust, because they involve despotic rule, which is inappropriate for a community of free persons” (Book III). The term despotic as it is used in this book, therefore, refers us to the realm of the private sphere, in which some rule over others in a fundamentally unequal way — a type of rule wholly unfit for our contemporary economy, as we shall see.
labor investors, who, in a capitalist economy, are considered to be elements in the means of production. This runs counter to the democracies in which capitalist firms have flourished, and this contradiction has necessarily affected contemporary workplaces: employees today struggle with a range of problems, from lack of motivation and absenteeism to depression. It affects the world outside the workplace as well: the financial, environmental, social, and political crises we now face all press us to examine the role and structure of the firm as an institution within the context of our democratic societies. This book offers such an examination, and its conclusion is unambiguous: firms are better understood as political entities, and not mere economic organizations. Economic organizations they are, but they are much more than that as well, and it is time to acknowledge this fact. If democratic societies do acknowledge this, they will be called to begin to treat firms like all of society’s other institutions: not only endowed with rights, held accountable for discharging specific responsibilities. As political entities, it is crucial that firms be made compatible with the democratic commitments of our nations—other words, democratized.

The political project that organizes our lives in Western democracies is driven by a democratic ideal. By this we mean “a compelling normative idea, requiring that people be treated as equals in the process of collective decision-making” (Cohen 2009: 6). This entails that the government be a government “of the people, by the people, for the people,” according to Abraham Lincoln’s Gettysburg Address in 1863. Despite the physical, material, intellectual, and cultural differences of our members, we as societies have declared all citizens to be equal, and organized our institutions in ways intended to help us perceive and treat each other as equals. As Article 1 of the Universal Declaration of the Human Rights affirmed in 1948, we are born “free and equal in dignity and in rights” —equal, and therefore fit to participate in choosing the collective standards that order our lives. But as this book will argue, these assertions are not taken seriously in the world of work. As the level of inequalities within and among nations reaches historic levels (Piketty 2013, Milanovic 2015), people around the world are increasingly impatient with the failings of democracy. They are aware that their life prospects and those of their children differ drastically depending on whether they are born rich or poor—and what clearer violation of the standard of equality underpinning the democratic ideal could there be? Of all aspects of contemporary life, the world of work would seem to be the last great holdover from a bygone era in which despotic and plutocratic rule was the norm.

The unsettling cognitive dissonance to which this state of affairs has given rise is plain: in their everyday lives, citizens are enjoined to behave as responsible members of their democratic society. As electors, they are presumed capable of coming together to decide important political questions such as “Who should be president of this country?” or “Should this country leave the European Union?” And yet these same citizens, when they arrive at their jobs, become the subjects of a despotic corporate government in which profitability is the main criterion for all decisions. This criterion of profitability is just as ill defined: Whose profit? To what end? According to what terms? Over how long? In my work as a sociologist, I have observed that employees today live with a contradiction that I, reading it from a Marxian perspective on capitalism, have identified as the capitalism/democracy contradiction. It raises significant questions: What are the limits of the current confrontational coexistence of capitalism and democracy? And, in practical terms, how are we going to reconcile, escape, or end this confrontation? What can be done moving forward to solve the contradiction? Essentially, the road diverges ahead, and we must choose: more capitalism or more democracy. The former will grant more arbitrary power to those who own capital, giving “capitalist despotism” freer rein in our work lives and beyond. The latter leads toward a reinvigorated version of democracy, in which the political rights granted to working people are at least the same as the political rights accorded to capital owners.

To offer a concrete example—not to say an ideal type—the United States has, for the past four decades, been on the path toward capitalist despotism. Corporate money provides limitless funds to electoral candidates; the U.S. Supreme Court’s Citizens United ruling declared that corporations are to be considered as people with the right to free speech; and a significant proportion of social and cultural life has come under the influence or even the direct leadership of corporations, from prisons to sports arenas. In January 2017, as this book is being completed, Donald Trump, a billionaire corporate leader with a track record as a capitalist heir, is about to be sworn in as the country’s president, showing just how far down the path of capitalist despotism the United States has gone. For the time being, and perhaps for the foreseeable future, the United States appears to have resolved the capitalism/democracy contradiction by choosing more capitalist despotism and less democracy.

Yet, what analysts have referred to as a populist revolt against the establishment in the November 2016 election expresses nothing so much as a deep “hunger for democracy” (Ferreras 2007b). People raised as
citizens in a democracy aspire to have some agency over the course of their own lives, and the past decades have shown them with achingly clarity that this aspiration to agency is little more than a dream. It seems clear that the time to explore the alternative route is now. The path of more democracy, as a project of deepening and extending democracy (Olin Wright and Rogers 2015), is a long, historic avenue, the one down which social justice and progress have advanced. It is the long path of emancipation, distinguished by the enfranchisement of different categories of people previously considered unequal. If we are to continue down it today, we must dare to look closely at the specificities of the world around us. This book does just that, and offers a map for the next step, which is the democratization of the corporation. If we fail to take this step, we will be forced to a standstill, from which we will see capitalism eat up what is left of political democracy. To forge ahead – and we can – we must keep moving toward more productive institutional arrangements in the firm. This book, then, offers a way out of the impasse of “capitalist democracies” (Cohen and Rogers 1983) in which we now live, in which the standards organizing our – capitalist – economies are set by capital investors, while the purportedly egalitarian standards organizing the rest of our – democratic – political life are set by all.

In the West, our age-old understanding of the economy as private in nature has worn away to the point that it must be reconsidered. What should be considered private has changed considerably with time: our economy began as agrarian, became industrial, and is now service-based. More and more employees now work in full or partial view of the public, meaning that the economy, considered since antiquity to be private (the term economy being derived from the Greek oikos-nemein, or the management of the household), is now experienced by many of those contributing to it as part of the larger public space. Service employees greet their fellow citizens as customers face-to-face, over the phone, and through the tentacular world of the internet; even those not in direct contact with customers are constantly reminded of their importance and presence. Beneath the constant gaze of citizen-customers, the corporations-household, once intensely private, has slowly moved into the public sphere. This is a shift the full impact of which has yet to be measured. In advanced democracies, we take as given that the public sphere should not be dominated by the power (kratiein) of a single (auto-) person, nor by a small group of individuals, valiant, intelligent, or rich as they may be (aristo- or pluto-). Democratic societies have agreed that the public sphere is a space through which people – the demos, all the members of the democracy – should express their sovereignty, both as individuals and as a society. If this is so, and if the workplace has shifted into the public sphere, then shouldn’t our reference point for its government also shift from the household (oikos) to the people – demos? Analyzing the experiences of those who invest their labor in the firm, I have found that it is impossible to ignore the ways in which they are steeped in notions of democratic justice. Work, for those who do it, is a fundamentally expressive experience. This is, in fact, one of the fundamentals of my argument, that those who invest their labor in firms are motivated by expressive rationality. By this I mean that the work experience resonates with meaning that is constructed by those doing the work, and that this meaning is derived by mobilizing concepts of what is just and unjust in the life of a community – what political philosophers generally refer to as the “political.”

Although it is hardly surprising that traces of democratic culture should be perceptible in the workplaces of democratic societies, this reality has remained strangely invisible. I will mobilize research in corporate and labor law (among other fields) to argue that this is because the idea of the corporation has managed to eclipse the idea of the firm, allowing corporate shareholders to maintain all power over it. As I will explain, the dominant economic theory of the firm reduces the firm to a mere corporation at the center of a nexus of contracts, including labor contracts. In this sense, it practices what I call a Reductio ad Corporationem: it folds the firm into the corporation, despite the fact that the latter is merely the legal vehicle that structures capital investments. It does this by pretending that the fundamental qualities of a firm are identical to those of a corporation. This occludes an immense portion of the firm’s reality. In this way, the economic theory of the firm, while claiming scientific neutrality, has in fact upheld and validated a very narrow approach to the firm (and even to the corporation, as we shall see in Part II) – one that has helped shareholders maintain an excess of power. The scientific task pursued by this book is to initiate the development of a political theory of the firm as an alternative

3 For a vivid account of the situation in the United States, see Arlie Russell Hochschild’s (2016) monograph on citizens in the destitute South who turned to the Tea Party in an attempt to win back economic opportunity and influence over their lives and the future of their children.

4 The use of the term emphasizes a conception of democracy committed at the same time to both efficiency and justice, as in Rogers’s (2012) conception of “productive democracy.”

5 A first statement was provided in French in Ferreras (2012). Since the financial crisis of 2008 and its damaging consequences, one should notice the appearance of the term
to this Reductio ad Corporationem by shedding light on the dense reality of the firm not captured by the description and institutional design of the corporation. It will examine the actual relationship between the corporation and the firm, rather than ignoring or obscuring that relationship. This alone is a vast project. This research agenda cannot possibly be addressed without a dedicated collective effort. A great deal of research into this topic already exists. Unfortunately it has so far remained isolated in different corners of the social sciences. This research needs to be drawn together – and, I believe, deployed – through the hypothesis put forth in this book: to consider firms as political entities. To do so requires addressing three dimensions of the political theory of the firm: the substantive, the descriptive, and the normative. The political theory of the firm mobilizes analytical categories coming from the body of literature in political analysis and political theory to look at the life of the firm. Its evaluative and critical aspects – the normative dimension of the theory – will flow straightforwardly from the substantive and descriptive dimensions.

In the interest of giving life to this new research landscape made of the many existing, scattered contributions that the author of these lines could not possibly hope to know of, and cite, this short book contains a proposal that draws practical conclusions from the analysis it provides, as a lens for looking to the future. The imperative of efficiency conditions economic life today, and the imperative of collective freedom conditions public life in Western democracies. The continued growth of our economy and our society demands that we identify a viable compromise between the two. As current events constantly remind us, the grave risks posed by the shock of these two imperatives are inescapably present, and the need for compromise inescapably important. We as citizens are facing big questions, and our democracies cannot afford to shy away from them. Can efficiency and justice be reconciled? How compatible are capitalism and democracy? Can capitalism be democratized? My own research into the workplace led me to these questions – and then to the observations and to the proposal put forth in this book. I have written a text intended to inject new life and new energy into an often shopworn and anxiety-inducing debate. The ideas I offer in the pages that follow are the beginnings of my own attempt, as a scholar and a citizen, to seriously and pragmatically envision a sustainable future for our democracies threatened by financial global capitalism, and more specifically by the current confusion of the corporation with the firm.

I am a labor sociologist and a political scientist, but the work I present here is strongly interdisciplinary, as is required by such vast questions. Because this is a book about the future of democracy and capitalism, I have grounded my analysis in the past, which is, after all, an indispensable reference point if we are to look ahead. Specifically, I have grounded it in political history: although the transition is arguably still in process, over the long term our Western societies have progressed from absolutism (in the form of autocracies or oligarchies) to democracy. For this reason, in my thinking about the government of the firm, I chose to draw inspiration from political revolutions, since the central issue that caused them is the same one now faced by the capitalist firm: how power ought to be shared. As I will explain, in the history of Western democratic revolutions the transition from absolutism to democracy occurred through a specific institutional innovation. Although it varies from country to country and from context to context, this transition has always involved what I call a bicameral moment. In modern history, England may be considered as having given birth to this compromise: faced with the prospect of losing it all, the king of England realized it was necessary to share his power. British bicamerality was his tactic for avoiding fatal revolution, a compromise with the people in the form of a partial democracy that seated landed aristocrats in the House of Lords and the representatives of the people in the House of Commons, with an executive branch accountable to both. The king's government had to win the majority in both Houses to pass a law. Today's workplace bears a more than passing resemblance to a pre-democratic state, with upper management holding the place of the pre-democratic executive branch of government. It is an institution governed by a property-owning minority that profits from the labor of the majority. The parallel is arresting: What would you think of an England governed by the House of Lords alone?

Bicameralism was a radical idea because it was so simple. This book seeks to inject the same radical simplicity into the debate over governing
and democratizing capitalism – not to oversimplify the questions we face as societies, but rather to offer solid foundations for that debate. It begins with the observation that work has shifted from the private to the public sphere; that employees are suffering from the tension between their aspiration to greater voice in the workplace and the authoritarian power structures that continue to hold sway there; that the formerly “private household” of the economy has evaporated under customers’ gazes and left employees with a work experience that takes place in the public space of the service economy. Then, drawing inspiration from the political history of Western societies, it conveys the notion of bicameralism, the institutional innovation that spurred the process of democratization, into the government of the firm.

The point of democracy is to serve all; my proposal here is no exception. Lately, business rhetoric has become more and more imbued with the idea of corporate social and environmental responsibility, and with the questions of how to sustainably secure the innovation capacities of firms’ “human resources” while promoting efficiency and avoiding lack of motivation, depression, and, in extreme cases, job-related suicide. The proposal that follows is based on the pragmatic observation that the investment of labor in firms is at least as necessary and legitimate as the investment of capital, and that firms would be better served if all its investors were represented in their government. After all, as political history has shown, power sharing is preferable to confrontation, gridlock, or even collapse. Sharing, not relinquishing: to each set of investors its own house, bound to govern together in the interest of all through a representative government they both designate. A Capital Investors’ House of Representatives and a Labor Investors’ House of Representatives with an executive branch – or top management – whose laws must be consented by a majority in both houses; in other words, by at least 50% + 1 vote from the Representatives elected by Capital Investors and 50% + 1 vote from the Representatives elected by Labor Investors.

What historical analogy is most appropriate to understanding and imagining a revolution in the government of the firm? Is Economic Bicameralism desirable? What institutional design does it require? What organizational issues are at stake? When it comes to it, what is a workplace? Can capital and labor be considered as instruments? And is the firm really a political entity? Would a bicameral firm be a Rube Goldberg machine? Would it sap away firms’ crucial competitiveness? Or would it be proof of respect – of capital investors, and of society in general – toward the people who invest their labor in the economy, their motivation and efficiency, their mental and physical health – all determining factors in a high-performing knowledge economy? Would Economic Bicameralism be the first step in an unacceptable power grab by workers, or, to the contrary, would it be nothing more than a shameful compromise with capitalism? Or, in the end, would it be a bridging institution, the step toward making the firms that wield such influence over our globalized times into fit members of our democratic society, therefore making it stronger and sustainable? This book opens the door to these questions. You decide.

OVERVIEW: AGAINST THE REDUCTIO AD CORPORATIONEM

This book is structured in three sections that will critically examine work, and how it is governed – that is the firm in Western capitalist democracies, proceeding chronologically from the past through the present, and into the future. Our goal here is to present our subject along lines as clean as possible – to not only open the door on a new possibility, but to turn on the light and invite readers and scholars in to think and to contribute. To this end, to paraphrase C. B. Macpherson (1977), we have chosen simplicity and brevity over a welter of detail.

Part I will offer a critical history of the government of work and of the position of the economy in society under Western capitalist democracies. It will highlight the slow transition of the economy, and of the government of work, from the domestic to the public sphere of democracy. Having sketched out this background, the book will explain in Part II how, in the present era of financial globalization, the vehicle structuring capital investors we call the corporation has managed to take over the firm, whose fundamental logics it will then identify. Having exposed the confusion of the firm and the corporation, Part II will then identify the dimensions of research with which a more reliable account of the firm may be built, both substantively, and descriptively, and propose that such an account be the domain of the political theory of the firm, and in so doing help to initiate the latter as a field of academic study in its own right. Part III will use the past to look to the future, and to offer a proposal. It will examine the history of Western societies in order to identify moments in the past when power shifted from a small group or faction that had previously dominated a majority with an equally legitimate claim to self-government. Observing that shifts took place in “bicameral moments” of compromise in which a new institutional structure was put in place to transfer rule from the few to the many, Part III applies this idea to the government of the firm. To this end, it re-categorizes the firm
as a political entity where the corporation is the structure through which capital investors' interests are represented, and grants labor investors their own channel of representation as well. This would transform firms' top management into a legitimate executive power answerable to the firms' two constituent bodies, capital investors and labor investors.

Background

Many innovative forms of firm governance were imagined and invented over the course of the nineteenth and twentieth centuries, a fact that is often forgotten today. Over the years, democracies have debated intensely over ways to govern capitalism, the corporation, and the firm, its flagship institution. Despite this, the firm remained only vaguely recognized and ill-defined, with its definition evolving slowly alongside our models for economic and political development. This evolution continues, and calls for new thinking about the firm as an institution of democratic society. Our economy today has become a knowledge economy, dominated by the service sector. Experts agree that "human capital" drives innovation more than any other factor. Our archetype of the worker as humble manual laborer, busy at his factory assembly line, is entirely out of date—as is that of the farmer, who was a figurehead of the economy from the Neolithic era through the end of the Second World War. Currently, more than 75% of jobs in Western economies are in the service (or tertiary) sector. The archetype of the Western worker today is a supermarket cashier, a call center employee, an app developer or a bank teller—someone who serves customers, builds relationships, and produces knowledge. In an economy increasingly powered by information technology and artificial intelligence, workers who are not knowledge producers risk rapidly being replaced by automation and robots (Frey and Osborne 2013, Ford 2015). This means that the employees who remain can no longer be considered to be a mere "production factor" among others, like machines, raw materials, or money. Although they are clearly much more than that, their perspective and understanding still count for little in the government of the firm.

Today, we face a grave, multilevel crisis—one that is environmental, economic, social, and political: the very credibility of our democracies hangs in the balance. In light of these facts, it is obvious that solutions at many levels are required. This book will tackle firm government as a hot point for those problems, and their solutions. It seeks to help renew the tradition of firm innovation in order to offer a path marked by the expanded sense of social justice needed to consolidate and reinforce peace, sustainability, and prosperity—to help, in short, with the work of keeping our democracies meaningful. This book contains three parts:6

Part I. Critical History of Power in the Firm: The Slow Transition of Work from the Private to the Public Sphere

The observation that workers aspire to more voice in the workplace and that the concrete experience of work is informed by a culture that favors democratic justice is not new or surprising. As Part I will explain, workers' expectations today are infused with a long history of struggles for political freedom in the form of both individual and collective rights; the challenge they now face is how to achieve collective self-determination in a workplace that has become part of the public space of our democratic societies. Part I of this book will turn back to the beginnings of our modern capitalist democratic societies, as democratic culture is rooted in the individual's quest for dignity and freedom, which has a history far older than that of capitalism. This book therefore opens by explaining the progressive transition of work from the private sphere to the public in the history of capitalism in democratic societies. Highlights of this transition include the institution of a labor code separate from the Code du Commerce at the end of the nineteenth century; the emergence of unions and collective bargaining rights; social welfare policy piloted by labor-management coalitions; works councils and workplace health and safety committees; the National Labor Relations Act of 1935 in the United States, the establishment of codetermination (Mitbestimmung) in large German firms after WWII; and, most recently, European works councils. All of these institutions may be seen as bearing witness to work's progressive transition to the public sphere of our democracies. One function of Part I, therefore, is to offer an argument for the necessity of experimenting anew, with new and more promising institutions capable of rendering our democracies more socially and economically productive.

Part II. What Is a Firm?

Part II opens by asking and answering a very simple but very powerful question: What is a capitalist firm today? This question is a powerful one

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6 Central as it is to my long-term research agenda on the capitalism/democracy contradiction, this book offers ideas entirely revised and updated, which were first outlined in French through two monographs, Ferreras (2007) and Ferreras (2012).
because so many people – particularly members of economic elites such as company heads, shareholders, investors, mainstream economists, and their political allies – would like to believe that it has a simple answer. A firm? Nothing more than an organization that seeks (maximal) return on capital investment. An organization that exists to make a profit. End of story.

Part II of this book pushes past this simplistic view by examining the two classic approaches to the firm: liberal economic theory of the firm – which mistakes the corporation for the firm, and the Marxist understanding of the firm – which shares the remarkably similar view of instrumental rationality, defined in this context as the belief that the firm is nothing more than an instrument to generate returns on capital investment. Here, we will show that this narrow understanding of the firm actually mistakes it entirely, confusing it with the corporation in what we have named the Reductio ad Corporationem. As legal scholarship reminds us, a corporation is a legal entity, a vehicle used to structure capital investments. In fact, as the first section of Part II will show, no model whose understanding of the work experience relies solely on instrumental rationality is sufficient to describe what a firm is – in other words, to describe what happens in such an organization, what is lived out there, what human and social realities exist there.

Indeed, we have failed to take into account that our economy is ever more tertiary, and the service model is expanding across all economic sectors. With this in mind, the second section of Part II will explain why work deserves to be analyzed as an experience whose logic is expressive, public, and political, and as such, a logic that is driven by an expectation for democratic voice (Ferreras 2007) – what I call the intuition of democratic justice. We will name the logic driving labor investors expressive rationality. We will then attempt to lay the groundwork for what we have called the political theory of the firm by providing a more satisfactory account of the firm as a political institution that must balance two intertwined types of rationality, the instrumental and expressive, which drive their two constituent groups, investors in capital and investors in labor. The political theory of the firm, as this section explains, must offer both a substantive account of the firm, and an analytic, descriptive account of the precise, factual dimensions informing such a definition of the firm. Part II draws upon many fields in the social sciences, including law, sociology, psychology, economics, industrial relations, and philosophy. While each of these fields has sought to account for one particular aspect of the complexity of the firm, this book’s interdisciplinary perspective intends to give a more comprehensive view logic of the firm as a political institution. Labor is the living embodiment of the firm. With no one to work in it, a firm does not exist. Even if its functions were filled almost entirely by robots, a firm would still need human work; at the very least it would need one engineer to fix and maintain them. Indeed, as the world becomes more and more automated, it is all the more important to describe and define the institution within which humans are actually still working. The resulting definition conditions the very nature of the power structure assigned the responsibility of governing work, and, by extension, the responsibility of legitimately governing (or not governing) the capitalist firm.

This section closes with the idea that, because a firm is necessarily a place in which workers invest themselves and their labor, it cannot be taken as its capital investors’ res; it is not a belonging they are free to dispose of as they wish. This book subscribes to the idea that the people who invest their labor in it constitute the firm at least as much as those who invest their capital. Despite this fact, the firm continues to be governed by capital investors as if it were nothing more than a corporation, when the latter is in fact nothing more than the vehicle structuring their own capital investments. The political theory of the firm logically contains a third, normative dimension, which will be covered in Part III. Its evaluative and critical aspects will flow straightforwardly from its substantive and descriptive dimensions, that is, the analytical categories established from the body of literature in political analysis and political theory used to give the account of the firm that emerges earlier in Parts I and II.

Part III. Looking to the Future: From Political Bicameralism to Economic Bicameralism

In light of the foundations for the political theory of the firm laid out in Part II, the way in which firms are currently governed – by corporations whose authority rests on the fact that they are conflated with firms – no longer corresponds to their institutional reality. Firm government today is illegitimate, because it represents only one of the firm’s two constituent bodies. It is unreasonable in that it allows all power to be deployed in the interests of a single group of actors, a firm’s capital investors. Finally,
common sense leads us to doubt that such a government would manifest any great measure of *intelligence*. The scope of these observations is broad, reaching to the very core of what propels growth in Western economies. Its point is simple: the monocameral capitalist approach to the government of the firm, led almost entirely by the corporation, deserves to be questioned, if only from the perspective of pure efficiency.

In light of this, Part III looks for possibilities in the future by reaching into the past. It opens with a historical study of the solution Western societies have identified to face the demands of democratic self-determination. Although the modalities have varied, Western societies have always transitioned from despotism or oligarchy to representative government through what this book terms a “bicameral moment.” For firms, implication of this observation is as simple in analytical terms as it is radical in practical terms: if it is to be governed according to its deeply political reality, the firm as an institution must be founded in both of the rationalities that drive it, and represent both of its constituent bodies. It must cease to favor capital investors over labor investors, in other words. The history of political bicameralism shows to what extent the transition of any polity from an authoritarian regime to a liberal democratic one depends on the recognition of its internal, dual logic. Part III will review the main defenses of political bicameralism in political philosophy and philosophy of law to show that the government of the firm, and particularly those who hold the executive power within it, ought too to be held responsible to both of the firm’s two constituent bodies, its capital investors and labor investors. Part III will follow the logic of bicameral political theory to argue that these two constituent bodies should be represented by elected officials in ad hoc *chambers of representatives* that jointly function as the legislative power; in other words, the firm’s parliament. The government of the firm – its *executive management* – would answer to these two chambers. This would transform it into a truly accountable government, responsible for finding productive compromises to help advance the firm in the interest of both parties, not just one of them.

Even assassination of dozens of union leaders on an annual basis are a clear illustration of this tendency. (See the Annual Survey of Violations of Trade Union Rights by the International Trade Union Confederation.) What happens in politics when the ruling party wins an absolute majority is an interesting point of comparison: if there are no solid, independent system of checks and balances (constitutional, judiciary), the government quickly becomes unreasonable, even in situations where the forms of democracy seem to have been respected (elections, respect for term limits, etc.). The case of the Putin-Medvedev government in Russia has provided a clear example of this in the past decade.

Unlike currently prevalent views of the firm, which recognize only the logic of instrumental rationality in the corporation, Economic Bicameralism recognizes the firm as an institution, driven by two types of rationality (*expressive* and *instrumental*). Furthermore, it provides for institutions that are adapted to the challenges of the contemporary government of the firm: it acknowledges that firms should be governed in a manner that respects the instrumental rationality of capital investors and recognizes the *expressive* rationality at the heart of work and the life of the firm. The fruit of this compromise would be a bicameral firm, a capitalist enterprise that bolsters and is bolstered by our democracies. Part III outlines how the bicameral firm would be equipped to meet the challenges of innovation and prosperity in the contemporary world of the service-based economy.

The time has come for firms to evolve. Capitalism has gained the upper hand over states. Globalized corporations enact their own rules, engage in social dumping, and shop around for the legal systems that suit their ends. Governing capitalism can no longer be left in the hands of capitalists alone. Currently, there is no global institution capable of fostering solidarity across nations, and protecting democratic sovereignty, and we cannot effectively foster and protect them if we do not understand the firm for what it truly is – a fully political institution with its own patterns of dominance that has great impact both on the lives of those directly involved in it, and on the wider world. Citizen-workers have high expectations for greater voice in the workplace, and in their life in general. It is time to meet these expectations with a system of powers (and therefore, of checks and balances) that measures up to what philosophers of law and the founders of the modern state once envisioned. In today’s service economy, high-performing firms depend on the quality of their collaborators’ dedication and hard work. Their success depends on their ability to transform individual skill sets into a collective capability to innovate, in order to respond to the demands of their customers in the best way possible. This book places Economic Bicameralism in the long historical evolution of political and economic institutions within liberal democracies, and proposes it as a solution that meets both the imperatives of democratic justice and the needs of innovative businesses.

At the end of this book, the reader will find a readers’ guide that discusses some of the objections that may be raised to the proposal for Economic Bicameralism. Here, however, we wish to address directly a possible misunderstanding: our goal in proposing Economic Bicameralism is to draw a concrete proposal from our analysis of the firm. All too often, scholars hide behind the idea that their role is to offer diagnostics; I
believe that we have a responsibility to try to provide concrete proposals as well. Hopefully, this book will improve our understanding of social facts by offering a concrete utopia, a proposal with force enough to open the floor for debate, to push from analysis toward practical applications. That is its goal. Theoretical discussions rarely leave the halls of academia. And then, one day, we awake to find that our political reality has been built on an ill-founded idea, defended by a theory that was never debated in the “real world.” By ending the analysis given herein with a concrete proposal for the future, the author hopes to offer a constructive way to bring fellow citizens into the – crucial – debate over how the firm should be governed in a global and democratic context.

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REGAINING CONTROL OF GLOBAL FINANCE CAPITALISM:
“IT’S THE CORPORATION, STUPID!”

It seems we are living in times that Karl Polanyi predicted. In his landmark book *The Great Transformation* (1944), Polanyi examined the conditions that led Germany to fall for fascism in the 1930s. Looking at the economic features of the nineteenth and early twentieth centuries, Polanyi observed that society had reached a point where it could no longer tolerate the effects of the fictitious, laissez-faire, “free market” ideology that dominated policies in nations across Europe. The dominance of “market forces” over society had distinct consequences, including rising inequalities, unemployment, low wages, and worsening living conditions for a growing portion of the population. The seeming unresponsiveness of political elites to these problems led society to choose to protect itself by surrendering – via democratic elections – to fascism. In this setting, Hitler positioned himself as the strongman who would fix the system, and offer the long-awaited protection. Polanyi wrote of how fascism became the tragic solution of last resort in the 1930s, offering an escape from society’s subordination to market domination, which was the end goal of free market ideology. Tragically, “the fascist solution of the impasse reached by [neo-]liberal capitalism,” Polanyi (2001: 46) wrote, “can be described as a reform of market economy achieved at the price of the extirpation of all democratic institutions.”

In the early twenty-first century, political debate and resentment in Western societies have revolved around globalization. For the past two decades, globalization has been the bête noire of workers in the West watching their jobs being offshore, or, for the luckier among them, living with declining and stagnant wages. Financial globalization – that is, the removal of protections in a domestic economy in order to open it to global financial markets – has been pursued since the late 1970s, and is the cornerstone of the neoliberal agenda. No sooner had World War II ended than an updated version of free market ideology was developed by a group of scholars such as Friedrich von Hayek and Milton Friedman, who came together in the Mont Pèlerin Society in order to advance the neoliberal cause (Mirowski and Plehwe 2009). Now, decades later, history seems to be repeating itself as societies are once again seeking to protect themselves from the damage inflicted by the reign of markets, which began in earnest in the second half of the twentieth century, under President Ronald Reagan in the United States and Prime Minister Margaret Thatcher in the United Kingdom and followed on French President François Mitterrand’s failed attempt to resist the pressure of capital mobility. During the 1990s, under the leadership of left-leaning social-democratic parties, the European Union actively promoted financial globalization (Abdelal 2007), while, on the other side of the Atlantic, the Clinton administration reduced the regulation of financial products. From then on, the neoliberal agenda was the new ideological consensus uniting the
political class in the West. It even had a name, the Washington Consensus, to refer to the package of policy reforms promoted by international institutions imposed on non-Western, so-called developing, countries. By the mid-2000s, financial globalization was the economy’s established reality. But then, in October 2008, came the greatest economic collapse since the 1930s, a financial crisis that left the United States mired in unprecedented levels of deficit as they scrambled to bail out the banks that had led them into the recession.

The crisis struck individuals very unequally. Today, in the United States, “our wealthiest 400 (individuals) now have more wealth combined than the bottom 60 percent of the U.S. population, an estimated 70 million households, or 194 million people. That’s more people than the population of Canada and Mexico combined,” write Collins and Hoxie (2015). Yet, the working and middle classes have continued to see their wages stagnate over the past decades, or simply decline, and too many were simply left without a roof over their heads (Sassen 2014, Desmond 2016). The concentration of wealth in the top percentiles of the population has continued and intensified, and as this book was being completed in early 2017, financial markets and key financial institutions had returned to their pre-crisis levels of wealth. In the United States, not a single banker was indicted for wrongdoing related to the 2008 recession, let alone sentenced or jailed. And as the crisis went on, governments carried on with secret negotiations of trade agreements between the United States and the Pacific and Transatlantic areas. In 2016, as Polanyi would no doubt have predicted, financial markets profited even as the Western world was rocked by anti-trade and closed-border activism. A xenophobic campaign by the anti-European extreme-right-wing leader Nigel Farage led the British people to vote to exit the European Union, while the demagogue corporate billionaire Donald Trump was elected president of the United States on an “America First” platform that promised to bring jobs back to the United States, impose trade tariffs on Chinese steel, deport immigrants, and seal U.S. borders. As this book goes to press, every country in the West faces some version of a fascist solution, to quote Polanyi.

9 We should also factor in the still stunning level of inequality measurable along ethnic lines. More data coming from Collins and Hoxie (2015): “African-Americans overall make up 13.2 percent of the U.S. population, but have only 2.9 percent of the nation’s total wealth. Latinos make up 17 percent of the U.S. population and hold 2.9 percent of total private wealth. . . . What about the divide in median wealth? Typical white households in the United States now hold $143,000 in net worth. The African-American household median: $14,000. The Latinos: $13,700.”

But in his analysis, Polanyi overlooked one crucial element: corporations. The free market might not actually be the core problem. For one thing, it does not really exist: as a comprehensive body of research in the social sciences has highlighted, markets are distinctly “unfree,” man-made constructions best seen as institutional arrangements underpinned by extremely complex legal and state-powered infrastructures (see, for example, Hall and Soskice 2001). The underlying problem is rather with the actors that free market ideology empowers, without demanding any accountability of them. If, as Adam Smith envisioned in The Wealth of Nations, the free market were a place in which simple individuals met and exchanged, it might well be an exchange device of egalitarian logic. But if the supposedly “free market” currently poses the threat it does to the stability of society, not to mention the progress of democracy, it is because it labels a very distinct reality, that of organized financial capital as it moves across borders, controlled and constrained by no power and no interest beyond itself even as it controls and constrains others. And who organizes capital, and how? Corporations do. Corporations are the legal form that structures capital investments, thereby effectively organizing capital; they are the actors that move across markets. They can and should be identified as the actors triggering the phenomenon of social disintegration originally identified by Polanyi. The “free market” is a smokescreen, behind which lies the brutal, despotic power of corporations.

Identifying the corporation as key actor in this phenomenon is crucially important for the descriptive power of our analysis. It is equally important if we are to envision appropriate responses to the challenge Polanyi identified. Stated briefly, the following analysis is based on the observation that the problem with laissez-faire ideology in general, and neoliberal financial globalization in particular, is less a problem of the market than a problem of the corporation. It is less a problem of mobility than it is a problem of what is actually moving, and with what forms of power, and what kind of impact. If one understands the problem of globalization as a problem of markets, then the logical political response is to close off borders and prioritize the people “at home” (hence the success of the Brexit or the Trump campaigns in 2016). But doing so would not fundamentally alter the dynamic of the free market at home, as identified by Polanyi, nor slow the social collapse that it threatens to spur. If, on the other hand, it is a problem of those acting in the market, then the appropriate political response is to confront those actors—that is, corporations. Because previous analyses have failed to properly emphasize the critical nature of the role of the corporation in the corporate-driven financial globalization we
currently face, the solutions put forth thus far have been inadequate – at best – to meet the challenge. This book seeks to map out a path to that challenge, over the long road of human emancipation, by proposing a means to democratizing the corporation, in the hopes of offering a viable and realistic alternative to what Polanyi identified as the “fascist solution of the impasse reached by [neo-]liberal capitalism” (Polanyi 2001: 46).

*Emancipate*¹⁰

From the Latin emancipare: ‘to free a slave’
derived from e-*manu-capare*: to cease holding by the hand

Origin: in the Roman Forum, one signaled intent to purchase a slave by taking his hand.

Meaning: to release from slavery, guardianship, domination, alienation, or from physical, moral, intellectual, or other constraints; that is, *to set free*.

By extension: to grant a given category of a population the same rights as all others, rights hitherto recognized for others of which this category had been deprived.

Examples: to emancipate a slave, a colony, an ethnic group, women… to emancipate… *workers*.

PART I

CRITICAL HISTORY OF POWER IN THE FIRM

The Slow Transition of Work from the Private to the Public Sphere

If we read the history of Western “capitalist democracy” (Cohen and Rogers 1983) as the progressive departure of labor from the *domus* to the public sphere, and identify this shift as a desirable one, a transition that should be pursued to completion, then we must understand its origins and scope¹. The shift – a process of emancipation – occurred over three major historical periods, beginning slowly in the eighteenth and nineteenth centuries with the industrial revolution, when workers physically departed from the domestic arena, leaving farms and households for factory jobs. It continued through the twentieth century, when work was slowly recognized as a vehicle for membership in society and even for citizenship, structured by the ad hoc establishment of labor law. This evolution was not inevitable: rather, it came about through considerable efforts to restructure power dynamics, the fruit of a social, intellectual, and political struggle in the Western capitalist democracies that involved the mobilization of workers through unions and organized labor movements. By the close of the nineteenth century, labor law in Western European countries was its own branch of law, considered separate from private law. Major institutional innovations continued throughout the twentieth century, the most significant of which was the invention of collective bargaining. The right to collective bargaining and union representation, benefits agreed upon by employee-management negotiations, works councils, workplace health and safety committees, and, most recently, European Works Councils, may all be understood as incremental movements away from the private sphere in the twentieth century, from a regime of domestic

¹ This thesis was first developed in Chapter 1 of Ferreras (2007), and is here expanded.
subordination to a regime answerable to the norms of the public sphere within our democratic societies—where, at the very least, power cannot be arbitrary and is held accountable; where, ideally, those subjected to norms participate on an equal footing in determining these norms. Today, as I will show, the increasingly predominant role of the service industry in the economy is shifting labor even further into the public sphere. This, I shall argue, occurs through the mobilization of cultural conventions typical of the democratic public sphere in the workplace. This raises questions about the nature of firm government, for despite workers’ expectations of democratic justice in the workplace, firms continue to be governed as if the old rules of the domestic sphere still applied—the head of the domus rules, and, quite often, can hire and fire at will. At best, these rules define a strict framework within which labor investors may participate in a firm’s management. They do not (yet) offer the possibility for those who invest their labor in the firm to participate in determining the rules that apply to them, and the ends that they collectively pursue. And yet if we are able to assemble a long-term picture, they indicate a pathway to democratizing the capitalist economy. This slow process of transition is still underway.

I

Stage One

The Workplace and Its Emergence from the Household

As the industrial revolution gathered momentum over the eighteenth and nineteenth centuries, and workers left sculleries and fields for factory floors, work began to depart from the private sphere. Until that time, it had been a domestic activity in both senses of the word: it was both based in the home and subject to household rules. In antiquity, labor was done by slaves; in the Middle Ages, by serfs; in both cases, laborers were subject to the rules of a master, a domestic regime. During the Renaissance, the merchant class established trade relations, commissioning goods from artisans in order to sell them in the marketplaces of nascent cities, in this way pulling power away from the monarchy and the aristocracy. Under this regime, workers were independent production units, but remained economically dependent on the merchants who ordered their goods. They generally owned the means of production (ploughs, spinning wheels, looms, etc.) and managed their own affairs. Their work life, however, still took place in the home, in domestic surroundings. The industrial revolution brought about a dramatic social transformation: many of these small farmers and artisans, once employed in the countryside, left behind their work and life conditions to work in factories as members of the proletariat. As Marx saw it, the creation of this new socioeconomic class was one of the necessary conditions for capitalism to exist as a productive and social system. The gathering of working men and women in the communal spaces of urban factories and workshops, which marked

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1 The term "economy" conveys precisely this idea, coming from the Greek oikos (home) and nemein (the principles of management), "economy" literally meaning the management, the rules of the household.
the transformation of the economy’s physical dimension, constituted the
first stage of work’s emancipation from the private sphere. Work, in the
form of wage labor, literally withdrew from the home.

Yet this emancipation was only partial: Marx, in writing about it, identi-
fied this dramatic transformation, but was hesitant about what status to
accord it. On the one hand, he contested the domination by those who
controlled the means of production – the capitalists – of the production
process; given that he likened their domination to that of a master over
his slaves or a lord over his serfs, one might conclude that Marx did not
see the industrial revolution as a step forward in the emancipation of
work from the private sphere. On the other, his description of the prole-
tarian workers’ experience reveals a more complex attitude: Marx held
out hope that the proletariat could become a force capable of ending the
human “prehistory” that was the advent of capitalism, precisely because
the proletariat labored together in shops and factories, giving their
class the possibility of transforming itself from a “class in-itself” to an
effective “class for-itself” (Marx 1847: 218–220). In his view, this his-
torical transformation depended first on the fact that workers shared the
same work conditions, and second on their becoming conscious that this
was the case. Sharing the material conditions of work life was what crys-
tallized the proletariat into a working class capable of action. Marx knew
that a common experience of deplorable work and living conditions was
not sufficient to launch collective action as ambitious as raising the con-
sciousness of a class for-itself, but he deemed it an essential step in the
process. It is crucial to appreciate how, even in Marx’s view, the physi-
cal relocation of work from the domestic sphere via the gathering of the
laboring masses into factories unilaterally controlled by capitalists and
their foremen represented a crucial step in the historical development of
capitalism. From our perspective here, its significance comes from the fact
that it was the first step in the emancipation of work from the private
sphere.

In The Protestant Ethic and the Spirit of Capitalism, Max Weber also
noted how the decoupling of economic activity from the domestic space
was among one of the key transformations enabling the development of
capitalism. He spoke extensively of the spatial separation of places of
work from places of residence, and identified “the separation of business
from the household,” as a decisive step in the rise of merchant capitalism
(Weber 1958: 21–22). In the same vein, Weber cited the invention of a
distinctive kind of bookkeeping for what would, from then on, be con-
sidered two independent economic units, household and business. It was
this multilevel separation of home and work, Weber noted, that allowed
for the invention of wage labor, a social precondition for the development
of capitalism.

ABOUT THE LOCUS OF ECONOMIC ACTIVITIES

During this first historical period, the emancipation of work from the pri-
ivate sphere was only spatial and geographical in nature. At that time, pub-
lic debate over work, and over wage labor in particular, was drowned out
by the debate over the place of commercial activity in society. What this
book identifies as the first stage of work’s emancipation from the private
sphere should be viewed in the context of a more general discussion at
that time about the foundational categories of the social. What should be
retained, however, is that economic activity, particularly work, was still
understood as situated within the private sphere, for reasons related to
the fight against political despotism. For in seventeenth- and eighteenth-
century Europe, the intensification of trade was envisaged as a solution
to the problem of rivalry between nations. In The Spirit of Laws (1748),
Montesquieu developed his theory of doux commerce (gentle commerce),
which he described as a “cure for destructive prejudices” whose “natu-
ral effect” was a state of peace generated by trade. Thirty years later, Adam
Smith’s Wealth of Nations (1776) powerfully echoed this view. Each work
argued that at the international level, the political logic of confrontation
among nations could be replaced by the potentially more appeasing logic
of economics. Within the young nations both authors had in mind, the
issue of society’s foundations was the order of the day: Enlightenment
thinkers, in reaction to the governments of princes, despots, and other
absolute monarchs, sought to justify the individual exercise of freedom.
To this end, Smith, the founding father of liberalism, offered an alter-
native to the contractualism of his contemporaries Hobbes, Locke, and
Rousseau. In Smith’s eyes, the market worked in favor of freedom, not
tyranny, and was the desirable way to generate social obligation. Smith
believed that the market could guarantee a base of social obligation and
harmony, which he described with the metaphor of the invisible hand.

In his review of Smith’s influence, Pierre Rosanvallon argues that his
thinking laid the groundwork for a representation of society that offered a
new understanding of the foundations of social harmony while renewing
the theory of the foundations of the social: “the mechanisms of the mar-
ket, by substituting themselves for the procedures of reciprocal engage-
ment central to contracts, allowed society to be viewed from a biological

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rather than political perspective.... It was not in politics, but in economics, that [one] sought the foundations of society" (1989: 46-47). In view of the risks posed at the time by the public sphere, which was dominated by authoritarian powers, Smith thought liberty could be justified through the radical innovation of “understanding society as an economic market and not as instituted through politics” (Rosanvallon 1989: 48).

By generating “social harmony,” to use Smith’s own words, the great organizing force of the market, driving exchanges among producers and consumers, employers and workers, became a practical and intellectual tool considered comprehensive enough to both organize and reflect on society. Work was no longer based in the home: it was a good to be traded in the marketplace and carried out in factories and workshops. It had, in other words, emerged from private space. It had not, however, been emancipated from the private regime. Indeed, this new view of how society was organized still turned on the opposition between public and private regimes. Work, as a good like any other to be exchanged in the market, remained in the private sphere—a sphere that, for all that it had been enlarged and renewed, was not seen as touched by the political. Nor did liberal theorists believe it should be: politics in their time was the business of despots. According to Rosanvallon (1989), this was the victory of Adam Smith’s economic thesis: he succeeded in introducing the concept of a self-sufficient and self-regulating civil society, one that was nonhierarchical, and “invisibly” efficient. This meant it was free from the negative influence of political authority, whose arbitrary power was, at the time, used to quell individual aspirations to freedom.

Shortly after Adam Smith, Benjamin Constant made the distinction between “the liberty of the Moderns” and “the liberty of the Ancients.” His work may be considered as the culmination of the delineation in liberal thought between the private sphere, which for him included economic transactions and constituted the space where individual freedom could grow, and the public sphere, which he considered as the locus of tyranny. For Constant, this was not necessarily despotic tyranny; it could be the tyranny of the community, as well². Constant’s was a limpid

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² We are going to see that this vision, as crucial as it was at a time when politics was dominated by despots, becomes problematic when politics is liberalized and democratized. The confinement of work in the private sphere, once the public sphere has become democratic, will only lead to a serious impasse. It is the Republican tradition in political philosophy that, distancing itself from liberalism and seeing “freedom as non-domination” (Pettit 2013), worked in rethinking the liberty of the ancients in order to reveal how essential it was to the health of liberal societies. See the works of Pocock, Skinner, and Pettit. In

and influential expression of liberal thought on the separation between public and private spheres in the early nineteenth century. His work consolidated the liberal view that economic exchange took place in the private sphere and sealed the status of labor as an economic good, and therefore as private, too.

For Constant, the liberty of the ancients “consisted in exercising collectively, but directly, several parts of the complete sovereignty; in deliberating, in the public square, over war and peace; … But if this was what the ancients called liberty, they admitted as compatible with this collective freedom the complete subjection of the individual to the authority of the community. You find among them almost none of the enjoyments which we have just seen form part of the liberty of the moderns. All private actions were submitted to a severe surveillance” (Constant 1819). By contrast, modern man, as a free individual, could carry out his private activities at his own convenience. The defining characteristic of the liberty of the moderns was the right to conduct one’s private affairs without interference from any government, “to dispose of property, and even to abuse it” (Ibid.). Constant deplored the fact that “among the ancients… the individual… was in some way lost in the nation, the citizen in the city” (Ibid.). Not only did Constant view the private sphere as a privileged space in which liberty flourished and modern man could exercise his freedom, he also cast doubt on the benefit an individual might gain from his involvement in public affairs: “lost in the multitude, the individual can almost never perceive the influence he exerts” (Ibid.). Constant pled for a representative form of government that would free most individuals from the worries of government and allow them to devote themselves to their private affairs— which included working and pursuing economic gain.

This liberal view of society, while advancing ideas of citizenship and the individual that underpin modern democracy, also decoupled citizenship from economic life. This separation continues to this day. But the advance of Western democratic society has made it defunct, perhaps the greatest

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³ Nevertheless, Constant seems to have a vague sense of the danger posed by a conception of society where civil affairs are entrusted to a group of professionals who operate the machine of the state far from the concerns of individuals: the danger of mutual ignorance. He therefore calls on officials to encourage citizens to share in the exercise of power, without which they risk losing their dearly won freedoms: “the danger of modern liberty is that, absorbed in the enjoyment of our private independence, and in the pursuit of our particular interests, we should surrender our right to share in political power too easily” (Constant 1819).
aporia of the liberal tradition. Constant, at the close of the eighteenth century, valued private affairs over public affairs; a century and a half later, Arendt (1958), discussing the same questions, advanced the exact opposite view, arguing that involvement in the public sphere was the noblest expression of the essence of man, what she calls action, which Arendt opposes to labor and work, which she assigns to the private domain⁴. Beneath her opposition to Constant’s values, however, Arendt assumes his posit that the society is based on an opposition between the public and the private domains, with labor and work contained in the realm of the latter.

We see, then, that the eighteenth and nineteenth centuries moved work’s physical locus from the private sphere as workers departed farm and household to labor in shops and factories. At the same time, the era’s thinkers, as they observed and interpreted the world around them, maintained a distinction between public and private whereby the private sphere was the space in which the individual could hope to enjoy freedom and agency over his own endeavors, while the public sphere was the domain in which the fight against tyranny occurred. At the time, placing work, along with other economic pursuits, in the private sphere of the factories, made it a vector for emancipation as well. And yet, this was only a first step in a slow transition…

⁴ To Arendt (1958), labor was the specific domain of the reproductive functions of life.

2

The Nineteenth and Twentieth Centuries

Workers’ Movements, and the Invention of Collective Bargaining

WORK ENABLING PARTICIPATION IN THE PUBLIC SPHERE

Placing this new version of work in the private sphere was, however, only a step: the private space of nineteenth-century factories were spaces of heteronomy, as well. The economic despot had soon replaced the political one. The twentieth-century emancipation of work from the private sphere may be seen as one of the hallmarks of its social and political history. Work transformed in parallel with the public sphere, which was itself in the process of democratization. As early as the 1880s, social movements organized around labor issues and began to effect changes in European society. Collective actors progressively organized in the form of labor unions and mobilized to obtain decent living and working conditions for wage laborers. As Marx had written, the proletariat, massed together on factory floors, in stifling tenements, and at the desolate outskirts of cities, grew aware of its class conditions and began working to change them. As they struggled for the recognition of specific rights (wages, working hours, benefits, health and safety conditions, and so forth), they also mobilized more broadly to influence the direction industrial society would take. Labor unions became active politically, participating in the public sphere and contributing to society’s evolution. Since the dawn of the twentieth century, in every European nation, labor unions have devoted resources to set up political branches or even parties in order to represent workers’ interests in the political arena.

Georges Friedmann, the father of the French sociology of work, highlighted the ways in which union organizing was an expression of workers’ solidarity: “trade unionism is for many workers not only, or even essentially, a defense of their interests but rather a visible expression, a
concrete symbol, of solidarity, of a network of human relationships within the industrial jungle" (Friedmann 1956: 79-80). For him as for many of his contemporaries, work in the twentieth century became a platform action – more specifically, for political action – that helped to determine the direction industrial society would take. Touraine (1966, 1973) developed this line of thought, showing how workers' movements were organized through a principle of "historicity" that defined workers' attitudes toward the goals pursued by society. Workers' movements in industrial society, he argued, developed their own views about the future of that society. Through worker organizations, work became a means of participating in the public sphere and its future orientations. At the same time, work was recognized as contributing to social cohesion in Western democracies, and the notion of "social citizenship" was developed (Marshall 1950). This had material as well as political consequences as nations linked employment to the benefits offered by the welfare state (pension, health, sickness, unemployment), which occurred as early as 1880 in Germany.

This led to a second phase of work's emergence from the private sphere, the signal feature of which was the creation of labor law as branch of the law distinct from both property and commercial law. As Supiot (2002) points out, the invention of labor law and the employment contract speaks to the ambiguous status of work: "the invention of the employment contract consisted of moving labor out of the legal category of 'goods,' in order to give it a new legal status, which acknowledged its personal dimension while maintaining its exchange value. The invention of the employment contract perpetuates a complicated rapport with the abstract idea of work as it was defined in the nineteenth century, which continues to dominate economic thinking. On the one hand, the employment contract provides a uniform legal formula for a diverse range of concrete labor and authorizes its evaluation and commercial use; it is in this sense compatible with the abstract concept of work as an accounting unit of the labor market. On the other hand, and unlike a contract for services, an employment contract acknowledges the presence of the worker, and thus opens the way to non-market values, which have a parasitic effect on the abstract notion of work. For this consideration of personhood, the legal recognition of the identity of the worker providing the work, necessarily opens the door to a practical and diversified approach to labor." (Supiot 2002: 256)

Labor law, in other words, opened the door to a liminal, still ambiguous historical period in which workers hovered between the private and public domains.

Collective Bargaining Makes Waves, or Economic Liberalism

By the close of the nineteenth century, pressure from violent labor struggles had helped push Western Europe's economically liberal industrialized nations to grant workers the right to collective representation in the negotiation of work contracts. This innovation decisively challenged the capitalist fiction of the world as a network of contracts among free-willed, equal individuals. The idea that the individual contract was a sufficient framework for understanding what the economic-liberal paradigm already saw as nascent labor markets was revealed as insufficient. From the standpoint of liberal economic theory, however, the right to collective representation was considered heresy. This tension continues to make waves today, and this book argues that this right is a fundamental one, and that employment relations cannot be understood solely as contracts among individuals. At the industry level, the advent of collective bargaining gave rise to what in Europe is known as social dialogue among social partners, in which employees and managers are represented collectively in negotiations over the frameworks that govern employment contracts and conditions. In these "dialogues" employees have voice through elected representatives or labor unions, and employers through their own representative organizations.¹

Collective bargaining was the bedrock upon which countries in continental Western Europe progressively built a complex system of institutions for labor-management dialogue and bargaining. These institutions are mandated by states to preside over the labor market in their industry, branch, or at the national level. The negotiations they oversee produce labor contracts or collective agreements that are enforced as law, usually by extension to all firms in the same branch or industry. These collective agreements set the ground rules for competition in the labor market (e.g., for wages) as well as developing coordinated strategies that implement solutions that benefit the industry as a whole, but to which no actor would subscribe alone, such as continuing education and training programs.

British sociologists Sidney and Beatrice Webb were pioneers in the study of these institutions. In the first years of the twentieth century, they attempted to account for a nascent phenomenon they observed in England, which was at that time rapidly industrializing. They called it

¹ The internal dynamics on the employers' side of these labor-management institutions are far from straightforward, and vary greatly depending on industry and economic sector (see for instance the debates set off by Offe and Wiesenthal 1985).
"industrial democracy." According to the Webbs, "industrial democracy results from the combination of direct [what they called "primitive"] democracy within unions, which are in charge of worker representation,\(^2\) and collective bargaining between these organizations and employers." (Webb and Webb 1902) But the term quickly came to describe a broader concept that covered employee involvement in the management of all parts of the economy, both within the firm and beyond, as well as that of employee representatives and union organizations. Alternatively, the term social democracy has been commonly used to describe this strategy.\(^3\) Collective bargaining is a foundational concept and practice that has exerted considerable influence within the labor movement and conditioned its participation in the political realm.\(^4\)

In 1935, in the midst of the Great Depression, the United States passed the National Labor Relations Act, also known as the Wagner Act. Its principles were similar to the industrial democracy described by the Webbs. The Wagner Act aimed to address the "inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract and employers who are organized in the corporate or other forms of ownership association."\(^5\) Specifically, the right of employees to join a union through which they could engage in collective bargaining was recognized: "employees shall have the right to self-organization, to form, joint, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection."\(^6\) Following a world war and two decades of opposition from employers, the Act was revised and further restricted by the Taft-Hartley Act of 1947. Businesses in the United States progressively succeeded in resisting the European trend of "social dialogue" and collective agreements jointly bargained at the industry level. By the 1960s, labor contracts were set on a firm-by-firm basis, in a diminishing number of industries.\(^7\)

By the end of the Second World War, the architecture of market economies in continental Western Europe varied in name and mode of implementation depending on the country but its aims were roughly the same: to structure the conditions of collective bargaining and to guarantee the status of labor within this process through collective rights and representative bodies. Roughly, this architecture includes the negotiation of collective labor agreements between labor and management organizations at the firm level, generally with union delegates;\(^8\) at the industry level (also known as the branch or sector); and at the national level. Since the 1980s it has also included the European level, if rather timidly, through labor-management consultations and the creation of European Works Councils for larger companies.\(^9\) However, the objects of these negotiations are limited. Depending on the level at which they take place, they may address compensation, vacation time, working hours, workplace health and safety, and training. Furthermore, as at the European level, they are only consultative, and not binding. Yet, they are concerned with potentially interesting new developments for workers in particular via their involvement with so-called transnational company agreements (Lamine 2016).

The state may take an active role in negotiations, or may serve as an arbitrator. It may also act as a sort of guarantor by extending the scope

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\(^{2}\) Through union democracy, the Webbs wrote, very optimistically, "they [trade unions] have solved the fundamental problem of democracy, the combination of administrative efficiency and popular control. In each case the solution has been found in the frank acceptance of representative institutions" (Webb 1902 iv).

\(^{3}\) The concept has been used broadly. Of the concept of "industrial democracy," scholars have written that it refers to "forms of employee representation in the firm, to their right to information, to protection, to being included in various ways in decisions regarding the firm or relations with the firm's managers. It illuminates the vast arena in which capital and labor, managers and unions, may confront one another — not to mention the universe of politics and that of social struggles" (Giraud, Tallard and Vincent 2007: 39).

\(^{4}\) The Webbs went on to found the Fabian Society, which was responsible for creating the British Labour Party.

\(^{5}\) United States Code, Title 29, Chapter 7, Subchapter II, § 151.

\(^{6}\) United States Code, Title 29, Chapter 7, Subchapter II, § 157.

\(^{7}\) Except for the public workers, who retained the right to bargain collectively at the state level, which could be equated to the industry level. For the recent, adverse evolution of collective bargaining in the United States see Freeman and Hilibrich (2013).

\(^{8}\) This is the case only in systems of dual representation, such as those in Germany, Belgium, and France. In these countries, employees have two "channels for representation": union delegates negotiate collective labor agreements, and personnel representatives sit on company works councils. Each channel has its own specific goals and purposes, and delegates or representatives may work in both, or be forbidden from doing so, depending on the context. Other countries have very different systems. Italy, for example, has only one channel for union and employee representation, through which issues of compensation and workplace organization are dealt with together. See Rogers and Streeck (1995).

\(^{9}\) In 1994, a European Directive commanded that a European Works Council be created to inform and consult employees in companies present in the European Union with a presence either in two countries with at least 150 employees in each, or in one with at least 1,000. Source: Directive (revised version) 2000/58/EC of the European Parliament and of the Council of 6 May 2000 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees (Recast) OJ L 122, 16.5.2009, p. 28-44 (EUR-Lex — 32009L0038).
of such agreements, or translating them into law for equivalent firms in the same industry, even in cases where these firms are not present or not represented in the bargaining process.10

The strategy the Webbs identified was a powerful one, and calls for three observations: two regarding the effects of industrial democracy, which are of particular interest to this book, and one of a dead end it could not avoid, which will be discussed further on.11

The first of the two effects is conceptual: industrial democracy, with collective bargaining as its emblematic institution, demonstrated the limits of the liberal economic understanding of society as contractual, as the mere sum of individual exchanges and agreements. The reality of industrial democracy, in which collective actors produce a framework designed to stabilize the conditions in which economic exchanges take place, revealed that this individualistic view of the economy, and particularly the labor market, was a fiction (De Munk 2000). Significantly, the existence of collective bargaining, both as a set of rights and as an institution, is proof that parliamentary representation, although a central feature of liberal democracies, is not the only institution responsible for determining the context in which the economy unfolds. The de facto role played by collective bargaining raises the question of what institutions are necessary to ensure that democracy is being comprehensively practiced by a society: its existence contradicts the standard liberal belief that democratic representation belongs in a narrowly defined political arena, in which economic relationships are “preserved” from political interference. The advent of the right to collective bargaining has opened the

10 This is known as the “coverage rate” of signed agreements, and explains why France, which is one of the Western world’s least unionized countries, has over 90% coverage of the workforce, which offsets the effects of low union participation. In the United States, this mechanism for extending agreements does not exist (Rogers 1995). Its effect is stark: less than 7 percent of the private sector is unionized, with great disparities among industries, and among firms within the same industry. The number of firms covered by collective bargaining agreements is small. In the United States, “about 7.2 million public sector employees are union members, approximately the same absolute number as that of private sector workers. On a percentage basis, however, public employee union membership is five times greater: 36 percent, compared with 7 percent in the private sector. This brings the overall level of union membership in the United States to 11.3 percent—again, however, with large regional differences. New York, California, Pennsylvania, Illinois, and other states have union membership approaching or exceeding twice the national average, while Texas, Florida, North and South Carolina, and other states had less than half the national average” (Compa 2014: 97).

11 French paritarisme is the logical continuation of this heritage. Given its peculiar application in the French context (to which we will return further on), we will not use this term, as we wish to discuss this point on a purely conceptual level.

frontiers of that political arena, suggesting that meaningful democracy requires a complex architecture of rights and institutions, not a shell of rights applied to a narrow portion of the human experience.

The second effect of industrial democracy is a practical one: labor and management organizations participate in the production of the norms governing the economy; ipso facto, this demonstrates that participation in the government of the economy through means other than parliamentary representation can be effective and efficient. The effects of industrial democracy were strongest during the three-decade period of economic boom in the West from 1945 to 1975, when unions played an active and decisive role in the representation and organization of the working population in Europe as well as in North America. Yet, in the United States as in the other liberal market economies (Hall and Soskice 2001), policies were driven by the (neo)liberal preference for individualizing economic relationships as much as possible managed to weaken the role of collective bargaining and institutions of industrial democracy. Not only does this policy stance ignore the advantages gained through “social democracy,”12 it narrows very sharply the definition of who participates in the affairs of the public sphere, which, this book argues, is central to the growth of democratic justice. Recently, and tellingly, two International Monetary Fund economists challenged this neoliberal consensus. Jaumotte and Buitron (2015) identified a strong correlation between falling unionization rates and rising inequality measured as the concentration of private wealth in the top 1% of the population. The data demonstrated that unionization is a vector for income equality. Joining his voice, Krugman (2015) concluded in his reading of the study that its results suggest that “a strong union movement helps limit the forces causing high concentration of income at the top.” Particularly after the publication of Thomas Piketty (2013)’s sweeping work on the topic, inequality being identified as a major economic problem, as well as a social and political one, has resulted in a renewed interest in the right to collective representation in the economic realm.

12 See Freeman and Lazear’s study in Rogers and Streeck (1995) of the economic impact of works councils. Germany, with its social market economy (Soziale Marktwirtschaft), can be considered as the success story in this regard. It has been held up as an example to the rest of Europe, particularly since the 2008 financial crisis, when it enjoyed a remarkable situation: a heavily “coordinated” European economy, where unions are strong and play a powerful role, which translates into higher growth rate, a less unequal wealth distribution, and lower unemployment figures that those of the United States, the flagship of “non-coordinated” economic liberalism, to borrow Hall and Soskice’s typology (2001).
The Nineteenth and Twentieth Centuries

The Twentieth Century and the Ambiguities of Institutional Innovations in the Capitalist Firm

The shock of the Second World War sparked significant changes in the way employees were organized. The war created a need for increased productivity and efficiency. This led to the rise of the works council, a new form of worker representation that sought to integrate workers into the management of the firm. The works council was a response to the needs of the war economy, but it also reflected broader trends in the development of industrial democracy.

The development of collective bargaining and the role of union representation has been defined in such a way that the role of union representation has been defined in such a way as to highlight the influence of certain bargaining processes. This has led to an industrial democracy as defined by the Weber model. The role of union representation has been defined in such a way as to highlight the influence of certain bargaining processes. This has led to an industrial democracy as defined by the Weber model.
representatives with an advisory role in firms' board of directors (or boards of overseers) (Rouilleault 2010). With variations from country to country across Western Europe, these changes all carried the same ambiguity, which may be said to characterize this historical period: labor was progressively emancipated from the private sphere throughout this period, but in a way that expressed a tension. On the one hand, capital investors sought to maintain their absolute power over the firm; on the other, they needed to secure their employees' long-term interest, and implication in firm productivity, and to give firm governance more legitimacy by sharing power with them. In his writing on this period, Wolfgang Streęck (2001) looked beyond the specific institutional options chosen at that time in each country to identify a universal ambiguity evident in the way countries went about building industrial relations, one that was intensified by union strategy at the time: whatever their specific orientation, the question of the role workers and their unions ought to play in the advance of capitalism was hotly debated among unions. For some unions and union members, capitalism remained a force they wished to combat, however much power it placed in their hands.

OPTIONS

The following sections will sketch out the various institutional innovations brought about in the twentieth century to give employees and union representatives—what this book calls labor investors and their representatives—power in the capitalist firm. It begins with the observation that the struggle to wrest workplace government away from the domestic regime typical of the private sphere has been gradual and ambiguous, and may be divided into two categories. In the first, capital investors are considered as having exclusive control over firms. Any worker participation in decisions regarding life in the firm takes place within a framework set by the corporation's representatives: this we define as participation in firm management. In the second category, workers' investment through their labor is considered as giving them the same authority in the firm as capital investors have, and the same status in deciding on the firm's strategies and end goals; this we define as participation in government. Later on, I will argue that the future lies in a decisive shift away from firm management, which excludes labor investors from strategic decisions, and toward a new era, of government, in which capital and labor investors decide jointly. Before that, however, I will explain the emergence of these two classes of innovation.

After the Second World War, Western European countries faced two contradicting impulses. On the one hand, the normative intuition that workers ought to be included in firm government grew more and more pervasive; after all, in 1948, the Universal Declaration of Human Rights had proclaimed all people equal "in dignity and rights." On the other hand, the classic capitalist idea that labor was a mere production factor did not imply that workers should be given any special status: labor required far more care than a machine or a desk full of office supplies, but had no more reasonable claim to govern the firm than either of the latter had. This tension is central to capitalist democracies. The first idea implies the inclusion of employees in a deliberation process, one that included bargaining over the terms of economic exchange, and discussion over ends and means. Logically, this meant granting workers a significant place in the government of the firm. The second idea implies only participation in management through bargaining; government, or deliberation over ends and means, remaining in the domain of employers alone. In a deliberation, the terms of the exchange are political, they deal with principles of justice and affect the ends pursued by the activity in question; in bargaining, the terms are quantified and quantifiable: concessions in the form of salary, work hours, schedule, and work pace are compensated and exchanged against subordination, productivity, and social cohesion. As normative concepts in this context, we refer to government as it plays out in the democratic public sphere, where, in choosing their own representatives, citizens have equal bearing on the norms to which they are subjected, and, in turn, the representatives they choose are held accountable to the polity, while management takes place in the private sphere, within which those with power—the masters—may impose unilaterally their conditions on the terms of the exchange. Participation in government involves decisions on ends as well as on the practical pursuit of those ends, i.e. the means; while participation in management simply refers to getting involved with the implementation of the means necessary to pursue a predetermined framework deliberated over beforehand and elsewhere. In the context of the corporate firm, decisions about ends are made by the board of the corporation, which is legally empowered to make these decisions. The board of the corporation thus operates as the de facto firm's government.

3 Here, we use the analytical—rather than practical—distinction we elaborated with Jean De Munck among the three components of the "democratic exchange": deliberation, bargaining, and experimentation (De Munck and Ferreras 2012).
If labor is to be fully emancipated from the private sphere, institutions must be created to help labor investors participate fully not only in management but in the government too, that is the government of the firm, which commands their own (working) lives. This step was taken very little in the twentieth century: nearly all known institutions co-opted labor investors into corporate firm management, rather than firm government—co-management—has been the hallmark of twentieth-century firm government, always within a framework set by capital investors. What follows is a brief survey of the history of employee participation, which, while it is far from being exhaustive, offers the evidence necessary to give substance to our argument.

PARTICIPATING IN MANAGEMENT

This account of the institutional options available so far for governing capitalist firms begins with the one that is weakest from a labor perspective. It also highlights one of the key differences between American and European "varieties of capitalism" (Hall and Soskice 2001). Labor history in the United States reveals almost no ambivalence about the choice between the two ideas cited earlier; throughout it, capital investors have fought to maintain or regain total control over government, while labor unions were unable to avert that. The United States might indeed be considered as the ultimate "capitalist democracy" (Cohen and Rogers 1983). The country's only significant concessions to employee involvement were through firm-level collective bargaining, which was first implemented with the Wagner Act in 1935 and continued into the 1970s (Weiler 1990), and through collective bargaining in the public sector, where it has been in steady decline for the last three decades (Freeman and Hilbrich 2013). Innovative forms of worker representation predated this— including one set up by a cigar maker as early as 1833 (Rogers 1995b: 390), and despite

3 Forbath's historical analysis confirmed Rogers's (1990) assertion that "the constraints on action forced by the legal order may render rational the pursuit of a narrow trade union strategy; yet this strategy may yield a weakened labor movement in the long run" (Forbath 1991: xli).

4 A notable experiment took place in a garment factory in Cleveland, Ohio, from 1914 to 1918. Described by O. F. Carpenter (1921) in John Commons's collection on Industrial Government, the experiment conducted by the Printz-Biederman Company implemented ideas developed by John Leitch, a promoter of "Industrial Democracy" (1919). He convinced the stockholders of a garment factory to organize it as if it were a "little republic": "Industrial Democracy was the organizing of a factory into a little democratic state with representative government having both legislative and executive components" (Ebert and

a larger, aborted attempt in the 1920s to set up deliberative bodies within companies under the so-called American Plan—an "open shop" system of shop committees and factory boards (Piore and Sabel 1984: 124-130) efforts to involve employees in management institutions within the American capitalist firm were never more than incidental, and were generally undertaken to prevent workers from unionizing (Rogers 1995b). The rise of the American labor movement in the 1930s was bitterly contested by employers. With the support of the Roosevelt Administration, collective bargaining was implemented following the Second World War, but only at the company level, and often only at the level of the plant (Rogers 1995b: 397). Significantly, anti-trust laws in the United States made it difficult for industry associations to bargain over wages; that is, representative bodies for employers at the industry or sector level were prevented from engaging in collective bargaining. Indeed, wage bargaining at the industry or branch level, which is common in European countries, was considered in the United States as a form of monopsony in the labor market to be combated actively in the name of free market ideology. The fact that American employers had no collective seat at the bargaining table meant that, contrary to what happened in social-democratic European nations at the same time, there were no collective "political exchange" (Pizzorno 1978) possible between employers and employees.

In contrast to the United States, European countries wavered throughout the twentieth century between involving employees in firm government or in firm management. In the interwar years, the French Popular Front government sparked debate when it sought in 1936 to require employee representatives in all companies with more than ten employees. During the Second World War, the French Resistance adopted a project called the Programme National de la Résistance Française, which called

Monschein 2009: 19). However, Carpenter noted that there were considerable differences between the experiment "and the United States Government. The latter is made up of representatives from one body—the citizens of the Republic. Representatives, Senators, President, all come from and represent the same great constituency, while in industry there are capital and labor to be represented. Leitch met this dualism by giving the employees a house of representatives and by giving the management a Senate and cabinet" (Carpenter 1921: 87). It is unclear if the powers of this house were greater than that of a works council; nevertheless, this experiment appears to be an ancestor of the proposal for Economic Bicameralism (see Part III). The experiment was short lived, however: in 1918, the International Ladies' Garment Workers Union had established a branch in Cleveland that fought and ultimately defeated the Leitch plan at Printz-Biederman. According to Carpenter (1921: 91), the union won workers over by convincing them that they would gain more advantages through collective bargaining.
for “worker participation in the direction of the economy,” and works councils were put in place in France in 1946, although only in companies with more than fifty employees. It took until 1982, after the French Left swept Socialist President Mitterrand into office, to consolidate the authority of French works councils, through a set of laws - known as the Auroux laws.

These changes to employer-employee relations sparked heated debate in France. Before the Auroux laws, in the 1960s, President de Gaulle sought to revive the Programme National de la Résistance, and in 1963, François Bloch-Lainé published an argument for “reforming the firm” that sowed panic among employers (Bloch-Lainé 2000:7). Bloch-Lainé, a high-ranking civil servant, noted in a sophisticated sentence that “among large firms, the democracy of corporations is a fiction” (1963: 14), and proposed that the “government of the firm” take the form of a “peer-led” management system that brings capital and labor representatives together in a commission de surveillance (supervisory board) that would oversee a Collège des directeurs (executive committee). His proposal was inspired by the German system of Mitbestimmung, to which we will return further on. A decade later, a report on “reforming the firm,” again, prepared by Pierre Sudreau (1975) for President Giscard d’Estaing, proposed a number of ways to give employees more power in the firm; chief among them that one-third of the seats of company boards be filled by employees. Although he proposed only that these seats be for information and oversight purposes, his report met with opposition from employers’ associations — and from a certain number of labor organizations, as well.

These reforms and policy proposals caught unions on the horns of a dilemma, pushing them to choose whether to fight for the right to participate in firm government or remain satisfied with pushing for a stronger role in firm management. Serge Mallet’s work on this question is emblematic of the debates that animated French labor unions during the Trente Glorieuses. His Nouvelle Classe Ouvrière (1963), published the same year as Bloch-Lainé’s Pour une réforme de l’entreprise (1963), argued for a new “worker policy” — what today would simply be called union strategy — adapted to the changes he observed in the capitalist mode of production at the time. Mallet pointed to the emergence of a “new” working class in automated work environments (at the time, the assembly line industries), which he called “organization capitalism.” In it, he identified two categories of employee: the workers in charge of production, distribution, and monitoring inside automated production plants; and, outside these plants, the more numerous engineers, researchers, and other technicians from commercial partners and contracting firms both up- and downstream from production operations. Mallet positioned himself firmly as a technological evolutionist: “through the jobs it creates, automation — if it totally eliminates man’s relationship to objects — destroys the division of labor and reconstitutes, at the team level, and even at the collective level, an integrated vision of multidisciplinary work. Production units shrink and human relations among groups of workers become more frequent and are less anonymous than those observed in the Taylor-style factory.” (Mallet 1963: 85)

In other words, technological complexity was catalyzing a sea change: the uniformity of working conditions it created in offices and shop floors also created the conditions under which a body capable of collective action might emerge, making possible a kind of unionism for which the firm was the appropriate context of action. This was the basis for Mallet’s central thesis: if automation led this new working class to organize from within their firms, the labor movement would have to adapt accordingly, and orient its demands toward “demand for a say in the firm’s management, regarding both the technical conditions in which production occurs (tools, work organization) and its economic conditions (type of investments, market orientation, etc.)” (Mallet 1963: 87).

This “new working class,” because it constituted a new and autonomous political force on the firm level, opened up a new battleground in the struggle between capital and labor. Mallet’s intent was not merely to point out the radical nature of such demands for control over the management of firms, however. He also wished to show the impact of the firm’s changed role in modern industry. Because firms were thought of as the locus of job security, he argued that they had become “the privileged location from which the worker could integrate within an economic

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5 “There is a third solution: it is participation, which changes the condition of man in modern civilization. As soon as people work together toward a common economic goal, for example, to make an industry function, by contributing either the necessary capital; or executive, managerial, or technical capability; or labor, what happens is that they form a firm together, a firm whose productivity and proper functioning are the interest of all, the direct interest. This implies that a portion of what the business makes and invests in itself through its gains should be attributed to each person by the law. It also implies that everyone ought to be adequately informed of the firm’s workings, and able, through representatives they have all freely named together, to participate in the firm and its boards and councils, to have their interests, opinions, and proposals heard. This is the way I have always considered to be right. I have already taken several steps in this direction; for example, in 1945, when, with my government, I instituted works councils; when, in 1959 and 1967, I opened the way to profit-sharing. That is the path we should take” (Charles de Gaulle’ speech in 1968, cited in Bourdin and Schillinger 2011:205).
society from which he is otherwise excluded,” an exclusion he defined as “the total absence of worker control over the management of the firm and its development.” In his conclusion, Mallet argued for “the expansion and institutionalization of the power of firm unions to control the firm’s economic orientations” (1963: 242). In the 1970s, the newly unified French Socialist Party took up this theme under the leadership of Michel Rocard. Its platform included the idea of worker self-management, popularized by experiments in Yugoslavia.

As previously mentioned, more than three decades after the idea of works councils for firms with more than fifty employees was first proposed in France, the Auroux Laws of 1982 consolidated the establishment of works councils, and effectively stimulated their creation. Drafted by Labor Minister Jean Auroux, the spirit of these laws may be summed up in his own words: “They are citizens in the polis; workers must be citizens in their firms as well” (Auroux 1981: 4). Between the spirit and the letter, however, was a significant gap. The Auroux Law of August 4, 1982, put an end to employers’ absolute hold on power in the firm by proscribing the sanction or termination of any employee on the basis of his or her political opinions, union activity, or religious belief, and the Law of December 23, 1982, gave employees the right to refuse work that placed them in grave or imminent danger. Such measures merely moved work away from the harshest version of the domestic regime in place in the private sphere, however much Auroux had sought to advance the cause of citizenship in the workplace. Particularly since the role of works councils was purely advisory, they remained no more than a basic recognition of the idea that labor should be included in firm management. The Auroux law of August 28, 1982, makes this very clear: it specifies the tripartite composition of works councils, which must include the company head, personnel delegates, and union representatives. Though created to advocate “on a permanent basis for [employees’] interests in decisions relating to management and to economic and financial changes, to the organization of work, to professional training, and to production techniques,” works councils have little binding say in firm management, let alone firm government. They are party to a significant amount of economic and financial information related to the life of the firm, and must be consulted in certain matters such as work organization or layoff plans, but their opinions remain non-binding.

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so far as to eliminate their human resources departments, will eventually have to face the question of whether employees should participate fully in their decision-making processes, even when it comes to highly strategic decisions. Will autonomy at work and innovation be enough for employees? Will they continue to be content to help manage their firms without a say in their government? These questions point to the much broader question of the legitimacy of firm government as it currently exists.

COMANAGEMENT

If the idea of comanagement (also known as co-gestion or paritarisme) alarmed French employers, they were not alone: labor organizations often regarded them with ambivalence, or even hostility. Here, again, the distinction made earlier is a useful one: comanagement is about management, not government. Seen in this light, union opposition to the idea was only logical, and we will return to the reasons for it. But as the German system shows, it is harder to see why it alarmed French employers so greatly.

The German institution of Mitbestimmung, or codetermination, is the twentieth century's most notable instance of employee involvement in the government of capitalist firms, and has justly been described as the most advanced example of a "social market economy" (soziale Marktwirtschaft). The system has two distinct levels of codetermination, one at the plant or site level and one at the level of the firm (Milano 1996). At the first level, employees help manage production and workplace organization through a Betriebsrat, a council elected by employees, similar to a works council. At the second level, employees are involved in the firm's strategic decisions through the supervisory board. Comanagement at the plant level uses methods for including employees in company management similar to those in France, which were described in the previous section. This section will therefore focus on comanagement at the firm level – that is, the participation of employee representatives in German companies' supervisory boards.

We begin by noting a crucial fact: Germany's most advanced form of codetermination – which is also the oldest, and the only one that gives workers a stake equal to that of capital investors in the government of firms – has all but disappeared. Discussed in between the two world wars, this radical innovation was only voted into effect by the Bundestag in 1951. As Stephen Silva (2013) recalls, the law required joint-stock corporations in the coal, iron, and steel industries with more than 1,000 employees to have supervisory boards composed of five shareholder representatives and five members delegated by workers, employees, or unions. These boards were presided over by an independent arbitrator elected by all ten of their members.

This legal framework was tied to the historical circumstances that followed the Second World War in Germany (Silva 2013: 43–82), when the Allies demanded the restructuring of industries that had contributed significantly to the power of the Nazi regime. Indeed, strong unions in these industries were threatening revolutionary overthrow; the USSR, Germany's next door neighbor, menaced from the east; and the country's industry leaders had lost legitimacy through their collaboration with the Nazi regime. If stability was to be maintained, the government of firms in this sector had to be reordered. The 1951 law was applicable only to firms in the coal and metalworking industries in Germany – industries whose economic significance has done nothing but dwindle since that time – and while Mitbestimmung was applied in other forms in other areas of the German economy, it never involved employees in firm government to the extent it did in its original form. Mitbestimmung as it was applied beyond these industries allowed for employee participation in firm management,
not in firm government. No other forms of Mitbestimmung have provided for truly joint government in firms.

Indeed, despite attempts by German unions to expand the principle of codetermination, the German economic landscape was largely overtaken by what Franz Gamillscheg (1979) has referred to as “false parity.” In 1976, the Mitbestimmungsgrundsatz Act maintained the requirement of equal employee/shareholder membership for supervisory boards in companies that employed more than 2,000 people, but stipulated that the boards be presided over by an additional member chosen by the group of shareholder representatives, who was given voting rights. This means that shareholders hold the effective majority in German firms, and are thus assured that board decisions will be made in their favor.7 Despite this limitation, the system remains the most advanced form of comanagement ever to be implemented in the corporate firm. Under it, employees and their representatives participate actively in the comanagement of the firm and its branches or plants through works councils (Betriebsrat). However, they do not have the power to oppose decisions, and remain obligated to cooperate with the decisions made by capital investors, who may or may not be willing to hear their opinions.

It is easy to see how German codetermination benefits capital investors: firms need access to employee knowledge of the products and services they sell in order to optimize production and better meet customers’ needs. Involving employees and their delegates in the internal decision-making process is an intelligent way to obtain this valuable information.8 This “pro-competitive” argument – to use Wolfgang Strecker’s term (1992) – was advanced by Jean-Louis Beffa, the former CEO of Saint-Gobin, in testimony before a French Senate Commission in 2010 as he recommended for France that in “companies of significant size, twenty to twenty-five per cent” of supervisory board members be employee delegates (Beffa 2011: 552). Similarly, a German government commission appointed by Chancellor Gerhard Schröder, led by Kurt Biedenkopf and charged with investigating the modernization of the codetermination system at the firm level, argued that “in competing with others, companies can and should make use of the productivity that comes from cooperation” (Biedenkopf 2006: 20).

7 The situation of de facto majority enjoyed by shareholders has made it very tempting for shareholders to corrupt employee delegates in order to ensure broader majorities in their boards. Volkswagen, Siemens, and other large German firms have been rocked by such scandals in recent decades (Müller-Jentsch 2008).

8 See Müller-Jentsch’s study (1995).

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**Figure 3.** Today’s Co-Determination Monocameral German Firm

Although employers have often argued the contrary, employee participation in these modes of management and comanagement contributes to economic performance and has proven to be a unique asset to the firms that apply them. Or, as the Biedenkopf Commission prudently concluded, “there is no proof that employee involvement has a negative economic effect” (Hans-Bockler-Stiftung 2007: 3). Despite the complaints of employer representatives involved in the Commission, the Commission’s academic members have confirmed that codetermination “does not diminish the competitiveness of production sites, that it is not an obstacle to foreign investment, that there is no proof of diminished stock market performance in companies in which codetermination is present” (Id.). Academic studies analyzing worker participation through various institutional or financial frameworks have confirmed this observation (Rogers and Strecker 1995, Freeman and Lazear 1995, Kruse, Freeman and Blasi 2010).

Economically speaking, involving employees in the management of firms is in the interest of capital investors. As German Chancellor Angela Merkel declared, “codetermination is a crucial and proven element of our social market economy” (Hans-Bockler-Stiftung 2007: 7). Therefore, employer opposition to it seems ideologically, rather than empirically,
motivated. Debate over codetermination and its institutional devices in Germany's case contains an important question at stake in this book: Do firms belong in the public sphere of our democracies, or do they belong in the realm of private exchanges? The response of the Biedenkopf Commission: "the necessity of codetermination is not an economic question.... The goal of the codetermination law of 1976 was not to increase the competitiveness of firms, but to give employees the possibility of participating democratically in firm decisions that concerned them" (Id.). The Commission added that codetermination should be seen "as a consequence of the perception of the firm as a social institution in which owners, firm executives, and employees collaborate to achieve common goals" (Id.).

As German employers cited the advance of globalization and competitive pressure on the economy as reasons to "reduce codetermination" (more specifically, to reduce the percentage of seats held by employee delegates on governing boards to one-third) – the Commission's academic members argued that "democratic participation through codetermination seems to remain a persistent necessity" (Hans-Bockler-Stiftung 2007: 3). The "false parity" of German codetermination is only a small step forward in advancing democratic participation, though. As previously explained, it allows employees to participate only in the firm's management. The president's additional vote on the firms' supervisory board means employees are always one vote short of a majority, depriving them of the power necessary to oppose a decision, and thus to have true voice in the firm's government. Undeniably, employees in major German firms have greater influence than employees in other countries with lesser "capability to deliberate." Employees in either case, however, retain the capability to bargain, but rarely have the full capability to deliberate, meaning that they have no control over the conditions in which bargaining takes place, and therefore no say in the firm's critical decisions.  

German codetermination, like French paritarisme, and, more generally, like works councils, expresses an ambivalence over whether firms should be governed by labor and capital investors on an equal basis, or whether capital investors' reign over firms should be preserved. Just as it is easy to see why capital investors would prefer the institutional inventions previously described, which co-opt employees into firm management using a framework of their own devising, it is hardly surprising that labor unions have expressed mistrust over or even rejected such schemes.

### Union Reactions

Two major labor traditions have been highly influential in Europe and beyond: the Christian labor movement, with its strong and largely voluntary involvement in comanagement institutions; and the socialist labor movement, which has avoided promoting these structures and focused on obtaining "workers' control." Ernest Mandel (1973), a high-profile access to a certain form of deliberation, in which they can negotiate the framework in which the firm's activity takes place. As in the case of Volkswagen, where the IG Metall union was able to convince the state of Lower Saxony, Volkswagen's second largest shareholder, to vote with the union on a specific decision, thereby reaching a majority on the board. In those highly specific cases, it is accurate to say that employees have real voice in the firm's government. (see De Munck and Ferreras, 2012)

See the practice of making labor investors into capital investors through policies that award stocks or shares to employees in order to ensure that their interests are aligned with those of capital investors. It is interesting to remember that Karl Marx himself saw reason for hope in the development of the first joint-stock-holding corporations. Marx's analysis in the third volume of Capital of the first shareholder companies in the nineteenth century is rather perplexing. Somewhat blinded by his axiom that property ownership determines class, Marx expresses hope and surprise over this separation of ownership and control, which would become a pillar of the capitalist system in the twentieth century (Berle and Means 1932, Chandler 1977). As Dahrendorf (1957) highlighted, Marx saw "the joint-stock company as 'private production without the control of private property,' as 'the elimination of capital as private property within the capitalist mode of production itself'" (Ibid.). Thus Marx concluded that shareholder businesses were "a necessary point on the way to reconstituting capital into the property of producers, this no longer being the private property of individual producers but their associated property, that is, immediate social property" (Ibid.).

9 For comparison, the case study of the restructuring of the Volkswagen factory in Brussels is enlightening. See De Munck, Ferreras, and Werners (2010) and De Munck and Ferreras (2013). Through the IG Metall union, German Volkswagen employees had more say in the firm's decisions and were able to protect workers' interests through the codetermination decision structure in Germany, while the firm's Belgian employees, though massively unionized, were reduced to bargaining over the layoff packages or salary proposed by management in Brussels, which itself was following directives from headquarters. In other words, there was deliberation in Wolfsburg, and only highly constrained bargaining in Brussels.

10 To return to the distinction made earlier between deliberation and bargaining, in certain situations, even the "false-parity" variant of codetermination gives German workers
proponent of Marxist theory in the European labor movement, maintained that the only demands acceptable to the labor movement must be "transitional demands" that helped gain more "workers' control," in order to bring about self-government, which was, to him, the only acceptable form of production. The Marxist doctrine set "workers' control" in opposition to the "snare and siren songs of 'co-management'" (1973: 12). To this end, Mandel wrote,

Whether it is a matter of contesting the boss's right to determine the rhythm of the assembly-line, or his right to choose the site for establishing a new factory; whether of objecting to the types of product made by a firm, or of trying to oppose elected leaders to management-appointed foremen or 'managers'; whether the workers are trying to prevent redundancies and a declining volume of employment in an area, or trying to calculate for themselves the rise in the cost of living; whatever they are trying to do amounts, in the last analysis, to one and the same thing: Labour is no longer willing to let Capital be in control of industry and the economy (1973: 10).

According to Mandel, all strategies for including workers in firm management are simply a way "to canalize and deflect... revolt, with the help of the trade union bureaucracy, towards class collaboration and away from class confrontation" (Mandel 1973: 11). He levels his critique at any and all institutions of management and co-management in capitalist firms, arguing that employees and labor organizations that do not avoid them risk being "deflected" toward class collaboration, which serves to profit none other than the capital owners themselves (Mandel 1973: 12). This, of course, is the classic Marxist critique of socialist reformers, utopians, and other social democrats: they argue that all these maintain the vain "notion of a gradual achievement of 'economic democracy,' without any previous overthrow of the power of the bourgeois state or expropriation of Capital." (Mandel 1973: 13). The only desirable goal for classical Marxists is self-management—which I prefer to call "self-government," to preserve the distinction between government (of ends) and management (of means):12 that is, production organized by the workers and for the

12 The following quote illustrates the prevailing attitude of that era, and, I argue, shows how urgent it is to move past the still prevalent monolithic understanding of property rights in order to envision the democratization of the corporation. Rosanvallon wrote (italics are mine): "In the technical terms of the law, the law of the firm does not exist as a unified legal field. The law of the firm is essentially made of property and ownership rights (corporate law is above all personal law) with a certain number of restrictions and regulations set by other branches, particularly labor law. The law, which is still dominated by the Napoleonic Code, ignores the firm's existence as an economic unit of production or a work collective. There is no way out of this oft-cited contradiction, except through the destruction of property rights with regard to the means of production. Indeed, it is clear that anything resembling the beginnings of firm law could only be erected against property rights. The idea of worker ownership acknowledges this fact in order to organize an adequate legal foundation" (Rosanvallon 1976: 121). On the contrary, this book argues that imagining the law of the firm as its own field does not require the destruction of property rights. Yet, the respect due to property rights should be placed, as historically it has been done with regard to other objects or subjects, within certain limits, which should be openly discussed, and set democratically.

13 Hallett recalls the strong influence of the Catholic Church, which weighed heavily in the implementation of codetermination in Germany (1973: 13-24).
Novarum, published in 1891, had a decisive influence on the Catholic social teaching, which did not contest the notion of private property. Not without its ambiguities, this tradition recognized the right of capital owners to enjoy their property, so long as they respected workers' dignity. The Catholic Church's social doctrine promoted concord among social classes, seeing the firm as a community rather than recognizing the idea of class antagonism so fundamental to socialist doctrine. As a result, Christian unions often rallied to systems of comanagement.

A number of innovations in the twentieth century have promoted the participation of workers in the steering of the capitalist firm; all of them are marked by the same ambiguity. The overview presented in this section has shown that, with the narrow exception of perfectly balanced codetermination as it was applied in the German mining and metal industry after the Second World War, capitalist firms seeking to include employees in their decision-making processes have never gone further than involving workers and their representatives (if indeed they are represented at all) in firm management, within a strict framework set by capital investors. And, as we have seen, participation in the management of a firm is not the same as participation in its government, particularly as discussions and decisions move from being about means to being about ends. Now, the emergence of labor and its government from the domestic regime typical of the private sphere is reaching a new stage. The time has come, this book argues, to take the next step, to move past the idea of firm management (most often referred to as governance) into an era of legitimate, reasonable, and intelligent government.

I wish however to urge that if the large property owner is viewed, as he ought to be, as a wielder of power over the lives of his fellow citizens, the law should not hesitate to develop a doctrine as to his positive duties in the public interest... History is full of examples of valuable property privileges abolished without any compensation, e.g. the immunity of nobles from taxation, their rights to hunt over other people's lands, etc. It would be absurd to claim that such legislation was unjust.

Morris R. Cohen (1927: 26)
The Twenty-First-Century Service Economy Is Bringing Work Fully into the Public Sphere

Historical and economic conditions today are ripe for work to complete its transition into the public sphere. Industrial society is giving way to service society, and as it does, workers’ presence and role in the public sphere is growing. Labor is no longer, and can therefore no longer be considered as, a vehicle or instrument. Nor can work any longer be seen as a mere object of policy, state regulation, and labor-management actions. The expressive rationality that characterizes the lived experience of labor must be accepted and accounted for in the institutions governing firms.

TO GOVERN

The idea that workers ought to have the right to participate in governing the institutions in which they experience a significant part of their lives and to which they contribute even more intensively than capital investors is as old as capitalism itself. It has been expressed in the work of thinkers such as Owen, Mill, Fourier, Proudhon, or Ellerman, and experimented with in cooperatives, kibbutzim, self-governed companies, worker-owned businesses such as Mondragon,1 and all the other models that compose today the so-called third or social sector of the economy (Laville 2010, Olin Wright 2010, Defourny and Nyssens 2014, Nyssens and Defourny 2013). It is meaningful to keep in mind that this idea has been implemented in numerous, often visionary, and original ways throughout the world.2

But let us maintain our focus on the capitalist firm. Our economic model, from the manufacturing to the tertiary sector, is changing drastically, and managerial practices are changing with it. The most innovative, productive firms are looking for new ways to bolster employee participation, since participation determines worker motivation, and thus affects productivity and innovation.3 Carney and Getz (2009) describe this as a “liberated” work environment and the firms that foster them “freedom incorporated.” Yet, the freedom enjoyed by employees is limited: decisions about the firm’s future and strategic options remain in the hands of its capital investors, who alone continue to reap the lion’s share of these firms’ added value. It seems reasonable to predict that sooner or later, firm governments that exclude labor investors even as they involve them ever more strongly in firm management will come to be seen as illegitimate, and that the contradiction between a work environment built on labor investors’ involvement and responsibility, and their exclusion from the firm’s actual government will begin to have adverse effects on workplace motivation.

Ricardo Semler’s experience in Brazil (1999) is emblematic of this problem and of its solution: Semco, the firm he took over from his father, grew astronomically when he decided to democratize it. The firm, which employed a few hundred people in the 1980s, counted a workforce of 3,000 in 2005, and then became a multinational firm, with similarly dramatic growth in profits. Semler explains that he could not hope for the motivation and implication he needed from his employees without giving them the right to vote on the firm’s hierarchy (they also vote on the hiring of future colleagues), on the development of new projects, to approve shareholder earnings, and to set their own pay.4 In other words, he was

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1 Mondragon is a cooperative founded in 1956 in Spanish Basque Country, which has become a major international group. In 2014, it counted more than 100 companies and about 150,000 employees working in a variety of industries and countries. The group is managed by its worker-owners through a democratic and representative process by which managers and executives are elected, and is financed by its own bank (Whyte and Whyte 1999, Freundlich 2009).

2 For a comprehensive account, see Erdal (2011). See also Pinto (forthcoming) or Barreto (2011).

3 According to Pink (2009), the main factors driving motivation at work are autonomy, mastery, and purpose. Echoing Pink, this book is founded on an understanding of work as animated by an “expressive, public, and political” logic (see Part II), which is driven by expectations for democratic justice, and which explains motivation at work, hence potential for innovation.

4 Another interesting detail: workers make these decisions based on pay scales that include comparisons to their competitors’ pay scales. They must therefore justify any pay raises to their colleagues, which catalyzes debate, collective learning, justification, and accountability to market competition within a deliberative framework about conceptions of justice among workers (Semler 1999: 215–220).
moving, if slowly, to include the firm’s labor investors in its government—this dynamic is what we call the subversive power of the democratic intuition. It should also be noted that Semler gradually did away with the human resources management department. Since his employees were now in charge of their work lives and jointly responsible for the teams in which they worked, there was no longer any need to “manage” them as (human) resources. Semler’s experience shows that when workers are given responsibility over their own work, they aspire to participate in all decisions that concern and constrain their work lives, which means in the government of the firm, not in its management alone.5

As previously recalled, the Universal Declaration of Human Rights states that all people are equal “in dignity and in rights.” If this is so, then why should they not have equal rights in the government of their work lives, just as they do in the government of their lives as citizens? Our Western democracies, whose history is intertwined with the history of economic liberalism, have long hesitated to acknowledge this in the context of the firm. Under the assumption that individual contracts are freedom enough, they have largely left capital investors to treat firm employees as a production factor or a resource, albeit one that must be handled with particular attentiveness. The idea of Economic Bicameralism, which will be introduced in Part III, grew from the observation of this tension, which cannot be remedied through comanagement alone, since comanagement allows for bargaining over means, but not for debating and deciding on the ends of the firm. So long as this tension is unresolved, capitalist democracy will remain a contradiction in terms. The knowledge- and service-based economy requires labor investors’ intensive involvement in understanding and meeting the needs of the clients, users, patients, and customers they serve. This is true whatever and wherever the labor investment—in schools, stores, law firms, doctors’ offices, consulting companies, college classrooms, or collaborative web platforms. Employers and employees everywhere must face this tension at the heart of capitalist,

6 The critical case, in the methodological sense (Golthorpe and Lockwood 1968), for the argument to treat workers as constituents of the firm—when considered as a political entity—will be that of those working down the supply chain. For an examination of the challenges faced by labor investors so far down the chain that their interests easily disappear from the focus of the capitalist government of transnational firms, see Locke (2013).

5 Attention must be given to the “responsibilities” with which the injunction to participate might burden workers. Employees would be all the more capable of shouldering such responsibilities if their say in the government of their work were real, rather than fictive, as is the case in most management systems currently employed in firms. For a study and discussion of these issues, see Charles (2016). In particular, Charles points out that participating in firm management (as well as in firm government obviously) requires effort, involvement, and consideration from workers, who must do more than simply put in a day’s work and go home. He argues that this should be accounted for and supported through appropriate organizational and institutional support.
Behind every fact is a theory and behind that, an interest.
Frank Knight (1922: 458)

PART II

WHAT IS A FIRM?

What is a firm? Practically and analytically, this is a crucial question, for the way we answer it determines the rights that we as a society grant firms, as well as the responsibilities we expect them to uphold. The dominant understanding of the firm has largely been informed by two paradigms: the liberal economic theory and Marxism. Though diametrically opposed in their views and preferences about the role of the state, the market, and individuals, these two perspectives are, paradoxically, united in their view of the firm as an organization that they see as structured and defined by instrumental rationality. The dominance of these two schools of thought has created a form of intellectual hegemony which, in excluding all other types of rationality from the definition of the firm, has prevented us from fully grasping its truly complex nature and has given us an incomplete understanding of its past, present, and future. Since the turn of the twentieth century, however, the dominance of these two paradigms has regularly been challenged, creating what today should be considered a distinct, albeit eclectic, body of work, including contributions by scholars in fields as diverse as sociology, economics, industrial relations, political theory, global studies, and law. These contributions have the potential to creating a new research field that sees firms as political entities, and I suggest that a concerted effort should be made to consolidate that field, which might be named the political theory of the firm. This field should be developed as a forum to nurture scientific debates that matter to society as well as to the future development of scientific knowledge.

Although we shall give particular attention to this emerging school of thought and the possibilities opened up by the new definition it offers, we must begin with a review of the perspectives of the liberal economic
theory and Marxism, the two traditions with the strongest intellectual and political influence over the world’s understanding of the firm. Their opposing viewpoints have, as previously mentioned, one thing in common: a highly reductive - not to say flawed and inadequate - definition of the firm’s role, which has had the ironic effect of causing these rival views to mutually reinforce each other.

5

Obsolete Vision

Instrumental Rationality as the Firm’s Sole Logic

So far as the individual stockholder is concerned, it is in general to be assumed that his interest is solely to obtain the maximum direct return from his holdings of the shares of a particular corporation, whether this be in the form of dividends or of appreciation, or in the short or in the long run.

- Friedrich A. Hayek (1967: 111-112)

ECONOMIC THEORY OF THE FIRM

Liberal economic theory is based on the rather perfunctory idea that the capitalist firm is an organization built to pursue a single goal: to generate returns for capital investors. By this logic, the firm exists because someone has risked capital - not labor - to invest in it, and ought to be rewarded for that risk. Ownership of one or many shares of the corporation gives capital investors specific rights: they become residual claimants with the right to any profit remaining after all contracts signed by the firm have been honored (employment contracts, orders from suppliers, etc.). Investors are motivated by the prospect of earning a return on their investments - that is, a profit greater than the capital they invested. This may occur through added value (the stock or share’s -future- value rises) or through dividends (in the form of payments to shareholders). Classic economic theory sees each production factor involved in such a venture - specifically, capital and labor - as “motivated by its self-interest” (Fama 1980: 288). These “facts” are the foundation upon which the influential liberal economic theory of the firm predominant was built. Within this tradition, the firm is conflated with the corporation. In fact, economists use the two words as synonyms to refer to an organization
whose end is to earn profit for its capital investors, who are considered to be its "owners." Labor, the other production factor participating in the firm, is supposed to take advantage of the firm to advance its individual interests.

In liberal economics, as just said, the terms "firm" and "corporation" are used interchangeably. This confusion has given rise to the unfounded belief that the firm belongs to its shareholders, when in fact, from a legal standpoint, it is merely shares in the corporation that are owned by shareholders. Legally, shareholders do not own the corporation, let alone the firm – they simply own shares or stocks in the corporation (Robé 1999, 2001, 2011). Confusion between the corporation, a legal entity set up by shareholders as a collective vehicle for their financial investment, and the firm, a much broader entity to which, as Robé has illuminated extensively, no specific field of law is devoted, has been a constant since the corporation was invented. The absence of any systematic consideration of the firm as an institution in its own right, as we shall see, is of service to some and of disservice to others.

Until now, the firm's legal existence has been dominated – and even eclipsed – by two often adversarial branches of the law: corporate law and labor law. This fallacious assimilation of the firm to the corporation has led to the proliferation of a few simple but – as we shall see – extremely powerful ideas.

The Firm as Instrument of the Capital Investor

In a capitalist economy, private ownership of capital accords capital investors two sets of rights (Cohen and Rogers 1983: 165): first is the right to choose where, when, and how these owners choose to invest it. Second, once they have chosen where to invest it, capital investors retain the right to control how it is used – to control the production process, in other words. From a sociological standpoint, one can understand why liberal economic theory perceives capital investors as "owners" of the firm: by deciding to invest their capital in a given business, capital investors invest in the contents of that business; investment is assimilated to ownership, which is assimilated to control, meaning that their authority over the assets of the corporation, which is mobilized for such purposes as the signature of contracts in the corporation's name, extends to government of the machines and the people working in that corporation. By the same logic, this control extends to any "surplus" the tools of the corporation

produce – the profit remaining once all contracts (including employment contracts) have been honored. According to this straightforward logic, a capitalist firm is an organization whose sole raison d'être is generating return on investment for the corporation's shareholders – its capital investors, who are considered to be its sole investors.1

This view underpins the economic theory of the firm, which developed more refined theoretical tools as the economy evolved over time. By the close of the nineteenth century, the shareholder model had begun its ascendancy in the United States (Dunlavy 2008). Around the First World War, as "giant corporations" gained a prominent role in the American economy, Berle and Means (1932) published their seminal study of the power of professional managers, in which they described this new era of managerial capitalism. They used the concepts of ownership and control to explain the tension underlying manager-shareholder relations, deploying them as a descriptive apparatus to show that while shareholders own shares in a firm, actual control is in the hands of professional managers, who participate daily in the life and strategies of the organization. Aglietta and Reberiouix recalled that Berle and Means recommended that limits be set "on managerial power, in other words that it be exercised not in the interests of those who wield it but in the interests of those affected by it." They concluded from this that "managers should no longer be accountable solely to the shareholders; they must be made accountable to all the stakeholders in the firm" (Aglietta and Reberiouix 2005: 27). In their view, the firm should begin to be understood as an institution, as it was "no longer an object of property" owned by its shareholders (Aglietta and Reberiouix 2005: 27). As Berle and Means understood it, the firm therefore required appropriate control mechanisms.

Aglietta and Reberiouix (2005) recall that the tremendous impact of Berle and Means' study was intensified by the context in which it appeared: in 1932, the year their book was published, the United States

1 That profit be the prerogative of capital investors has also been justified by asserting that capital investors are the only ones to take risks in a firm, since work is carried out under contract and compensated by wages in a relatively stable manner. The soundness of this assertion is dubious, as employees clearly assume risk in signing contracts with firms. Their participation in the life of the firm deserves to be understood as an investment of specific skills and knowledge. Such an investment, once made, often cannot be transferred to another firm with the same ease as a shareholder may sell his shares and transfer his capital to another firm. See Cohen's classic discussion of this question (G. A. Cohen 1982, Landemore and Ferreras 2016).
was in the early years of the Great Depression. Their work was immediately taken up for political ends, and sparked a counter-movement to limit the influence of managers and to grant more power to shareholders. Two schools of thought developed in the ensuing decades, whose combined influence would be unrivalled: the ascendency of the shareholder value theory in the 1990s may be traced directly back to these two schools. Founded on the pivotal work of Coase (1937, 1960), the “transaction costs” theory gave rise to the field of law and economics, with major works coming from Demsetz (1967), Alchian (1969), and Williamson (1985). At the same time, “agency theory” in economics was developed: using rational choice theory, thinkers such as Jensen and Meckling (1967, 1976) and Fama and Jensen (1980) developed the framework of principal-agent relations. This entire field, which shall be identified here as the economic theory of the firm, sought to affirm the legitimacy of shareholders’ authority over the corporation, and by extension over the firm’s other actors. This perspective reduced the firm to the corporation, an intellectual move we call the Reductio ad Corporationem. Although it is descriptively inexact, this reduction has had tremendous practical consequences.

The Nobel Laureate Milton Friedman may be considered the greatest spokesperson for the economic theory of the firm, as he was particularly influential in establishing this reductionist view of the firm as a corporation. Although legally inaccurate, the view of the firm he helped to legitimize was a kind of self-fulfilling prophecy, and spread rapidly. As he wrote, “in a free-enterprise, private property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society. . . . The manager is the agent of the individuals who own the corporation.” The Nobel Laureate’s description of shareholder behavior indeed became fact, a trend reinforced outside the firm by the growing importance of institutional investors starting in the 1980s and the development of complex financial products in the 1990s. Within firms, “good practices” such as stock options were promoted in order to align the interests of top managers with those of shareholders in order to maximize shareholder value. Here, we must recall Friedman’s assertion that “the manager is the agent of the individuals who own the corporation.” Although legally unfounded, this assertion came to be accepted as reality. The consequences of accepting this unfounded claim have intensified as the economy has become increasingly financialized, and capital transnationalized.

Looking past the various technical nuances and improvements wrought in the fields in which the economic theory of the firm has been perfected and deployed, the theory has systematically and erroneously conflated the firm and the corporation (Robé 1999), defining the firm as an organization driven by a very specific type of rationality — instrumental rationality, which sees all action as driven by an end independent from the action itself. The end of a firm, when it is conflated with a corporation, is to promote the self-interest of the entrepreneur, and above all of the capital investor, in the form of a return on investment — in other words, shareholder profit. Using Max Weber’s pioneering work on Zweckrational (Weber 1971), which may be translated as purposive or instrumental rationality, sociologists studying the spread of capitalism have agreed that this rationality was central in the development of the economy in the modern West. Investment in firms is not pursued because the firm is an end in itself — in terms of the work accomplished, the goods
produced, the service rendered, the production in question – but rather because firms are perceived as the appropriate instruments to generate profit, which may be accumulated by those who invest their capital in it. The firm, in all its vast complexity, is reduced by this theory to nothing more than an instrument. It is a vehicle for profit, as are the managers and workers who labor within it: they are simple instruments, what agency theory calls "agents," and the sole purpose of their presence is to serve the principal – the stockholders and its earnings.

Work as Instrument Alone

The liberal economic theory of the firm applies this same perspective, "with each factor motivated by its self-interest," (Fama 1980: 288) to a firm’s employees. They are the firm’s "labor factor" and come to work in pursuit of their own personal interests. According to this view, workers work for wages. Hence, their work is the instrument they need to survive in the world. In the eyes of standard economic theory, workers consider work to be a "disutility," something they would prefer to do without in order to enjoy higher-utility activities outside the workplace, such as leisure and family life (Lane 1992). The logic of this is, quite obviously, analogous to the logic of capital investors: in both cases, actions are driven by instrumental rationality; in both cases, these individuals are pursuing their self-interest through the firm, which is a vehicle for pursuing an end they seek (money). Only the actions themselves differ: employees work in the same way that shareholders make financial investments. An investor seeks maximum profit for minimum investment; a worker seeks to exert the minimum amount of effort required to make a living and pursue whatever life outside the workplace their jobs permit. From this perspective, there is no substantive distinction between capital and labor, since both act according to the same rationality. And if instrumental rationality drives them both, then what we shall call the regime of domestic subordination – in which power is exercised unilaterally by the person who is best positioned to determine the ends and the means to obtain them – is the most efficient mode of government for them both.

The Capital Investor as Optimal Guarantor of Instrumental Rationality

If the firm is a vehicle for the instrumental rationality driving investors in both capital and labor, then it is only logical that power in the firm be held, and decisions made, by those believed to be the best representatives of instrumental rationality. By this logic, the best representative of instrumental rationality within the firm would be the capital investor, who is its ultimate beneficiary. If purely instrumental logic – the goal of earning a return on his investment – drives him to invest in a given firm, it stands to reason that he is in an optimal position to guarantee that the firm follows that logic. Those who invest their labor, on the other hand, might be more personally biased: while also motivated by the desire to maximize personal gain, they necessarily seek to do so with the least possible effort; furthermore, their judgment is potentially "polluted" by considerations, emotions, and affections, which cause them to form irrational attachments to their colleagues and to the firm's traditions and history. Workers, according to this logic, lack the rational judgment required to guarantee the firm follows the pure instrumental logic of return on investment, which is, after all, the reason it exists. This logic also justifies the firm's traditional power structure, which may be characterized as domestic. The "domestic regime of work" (Ferreras 2007) follows the

5 From the perspective of the employee, it becomes a problem of "individualistically oriented workers whose motivation is diluted by the free rider problem" (Weitzman and Kruse 1996: 294). Employees perceived as being motivated only by the maximization of their individual interests are difficult to manage. As a logical consequence, from the principal's point of view, a set of incentive and disincetive mechanisms must be implemented to extract the best work from employees, who are considered to be inherently lazy and eager to shirk, or seek a "free ride."

6 This is one of the classic arguments advanced against involving workers in strategic decisions: workers are considered to be incapable of choosing to reduce the workforce in cases where this may be necessary, because the pursuit of their (ill-understood) individual interests would lead them to oppose anything that might lead to close monitoring of productivity or reductions in the workforce. Numerous documented cases disprove this argument (Erdal 2011). As we shall see, workers reason using expressive rationality much more than instrumental rationality, which means that they are able to make political judgments, to weigh different interests, and to engage in precise and detailed discussions of different options and alternate conceptions of justice in order to make decisions.

7 More broadly, liberal theory – and beyond – sees this domestic logic as being deployed in the realm of so-called private activities, and economic activities are still thought of as being conducted in the "private sphere" (Ferreras 2007). This sphere is opposed to the public domain, which is oriented to the common good and deals with matters that regard all its members. The latter domain is the domain of politics (polis), while the former is the domain of the economy (oikos). Semantically, in terms of usage, this separation is still very influential: echoing this fundamental distinction – and with an eye to maintaining it – the world of "private enterprise" and "private business," with its references and its logic, is often opposed to the "public" world of public administration and the state. Yet corporations can go "public," a term that underlines the fact that a group of shareholders has chosen to place the firm under their own – public – scrutiny in order to hold it accountable.
model of a family or household in which power is exercised unilaterally by a “head of household,” the domus in Latin, the despot, in our case here the principal, whose orders need not be justified, and are executed without question by those working beneath him, be they employees, domestic servants, or slaves. Subordination within the capitalist firm draws legitimacy from the fact that it is standardly considered the most adequate and efficient means of implementing instrumental rationality. This applies all the way down the firm’s chain of command: the capital investors name their representatives to a board of directors, which controls the agents acting on its behalf (the CEO and members of the executive committee), who, in turn, establish the way in which these orders will be carried out. Workers, who are just 1 production factor among many, and whose labor has been purchased by contract, are there as instruments to execute the plans established by those higher up in the chain of command. In the end, each link in this chain is the agent of his hierarchical superior, and the principal of his subordinate.

To summarize, in the eyes of the economic theory of the firm, the firm is an organization driven by instrumental rationality, and the act of investing in the firm, through capital or through labor, is understood as a means to a specific end—earning profit or wage. Either way, the investment is considered to be deployed in the private sphere, in which power is exercised unilaterally by the principal, following a model that is considered to be the most effective way of implementing instrumental rationality. We describe this model as “domestic” because it follows the pattern of power relations typical of interactions that, historically, pertained to the private sphere, where the head of household set tasks for domestic servants to carry out. Although the theoretical tools invented and employed by this school of thought disprove their own assumptions (Rebérioux 2003), this vision of the economy nevertheless underlies the legal system in contemporary liberal democracies, and exerts singular influence on contemporary firms. Yet, the only major contribution this dominant tradition has made to our understanding of the firm is its identification of the firm’s two key actors: capital investors and labor investors.

Indeed, the classical economic theory of the firm has drawn a parallel we wish to highlight: in its eyes, the firm’s two main actors, excluding non-human production factors, share the same status. This view that capital investors and “the labor factor” are driven by substantive, identical—instrumental—logic aligns, somewhat surprisingly, liberal firm theory with the Marxist view of the firm, a point we shall examine more closely in the next part of our analysis. According to both traditions, two categories of actors are present in the firm: we have called the first category investors in capital or “capital investors”; the second, as they invest their personal labor, we have named investors in labor or “labor investors.” According to the economic theory of the firm, these two groups of actors invest in the firm in order to earn returns on their investments, either in the form of profit or of wage. This is the salient point of this section and we will return to it throughout the book: the firm, even when it is conceptualized as existing only in the realm of instrumental rationality, is driven not by one but by two categories of investors—capital investors and labor investors.

MARXIST THEORY IN SUPPORT OF THE IDEA OF LABOR AS INSTRUMENT

The view traditionally seen as opposite to liberal economic theory is Marxist theory. Marx defined capitalism as the private ownership of the means of production, whose end is the appropriation of added value, which gives rise to a number of prerogatives. Laborers are put to work by capital investors under varying conditions of exploitation, a word Marx chose to employ because the profits realized by capital investors come from the activities of their employees. In Marx’s view, there would be no surplus or added value without the worker, and therefore no profit for the capitalist shareholder. A capitalist firm, therefore, is a place in which added value is extracted by exploiting workers—a situation that, by its very nature, is irremediable under capitalist conditions.

From the Marxist perspective, workers in firms are inevitably exploited because exploitation is inherent in the capitalist firm. According to Marx, work is the very “essence of man” (Médard 1998) — but only work carried out in complete autonomy, by the worker, for the worker. The exploitative nature of work in a capitalist firm alienates workers from their own essence. Capitalist society perverts this essential activity through the conditions in which it puts people to work. Because employees carry out the wishes of others, in a situation of complete heteronomy, they become strangers unto themselves — alienated, in other words. As Marx wrote,

In my production I would have objectified my individuality, its specific character, and therefore enjoyed not only an individual manifestation of my life during the activity … and therefore in my individual activity I would have directly confirmed and realised my true nature, my human nature, my communal nature.

(1968: 35)
But, Marx adds, “Presupposing private property, my work is an alienation of life, for I work in order to live, in order to obtain for myself the means of life (Marx 1968: 34).” Marx was very clear in this respect: alienation is brought about through the instrumental relationship to work created by the capitalist system. If workers are the instruments of capitalists, then work becomes nothing more than a mere instrument of survival.

Just as in the liberal economic theory of the firm, the Marxist understanding of work in the capitalist system sees the alienated and exploited worker as driven by instrumental rationality: “I work in order to live, in order to obtain for myself the means of life.” The worker hires himself out to the capitalist only because capitalist society has succeeded in offering him no other means of survival. According to Marx, any worker would choose to break free from this system if he were able — and would do so as soon as he were able. Although the Marxist tradition places itself in diametrical opposition to liberal economic theory — where the latter seeks to legitimize the capitalist system, the former seeks to critique and destroy it — the instrumental relationship to work remains pivotal in both schools of thought. Few scholars working on work in the Marxist tradition have sought to build methodological or conceptual tools that allow for any other vision. Worker alienation, according to the Marxist tradition, mirrors the capitalist gesture, perpetuating and extending the instrumental nature of the capitalist investment. In this perspective, the worker’s relationship to work is unquestionably instrumental.

Given that their goal was to offer a radical critique of capitalist society — an anti-capitalist vision of the world — it is strange to observe that scholars working in the Marxist tradition maintained the idea of the economic realm as the exclusive domain of instrumental rationality, a vision promoted by the very tradition they sought to combat. In their efforts to critique capitalist society, and the capitalist firm within it, the majority of Marxist thinkers failed to notice that the idea that workers’ relationship to work was governed exclusively and unilaterally by instrumental rationality was merely an idea — and an inadequate one, at that. Furthermore, it has had the paradoxical effect of validating, or at least bolstering, the classical economic view of work as an instrument.

In practical terms, implementing Marx’s analyses meant collectivizing the means of production. Only rarely has this measure been accompanied by any serious contestation of the idea that workers have an exclusively instrumental relationship to work. Nor was the relevance of the domestic regime as applied in the capitalist workplace ever questioned under communist regimes (Pateman 1970). Indeed, Soviet factories were carbon copies of their American counterparts, and in them, assembly line workers labored following Taylor’s principles of scientific management, of which Lenin was a great admirer. The foreman may have been a comrade, but he remained a foreman, and his orders were to be followed. Questioning the rationality driving economic activity — capital or labor — was not a priority for those who used Marxist thought to contest or reshape the capitalist system. In a superficial reading of Marx’s work, what stands out is indeed his strong critique of the private ownership of the means of production, and this reductive reading shaped Marxist political movements, which focused heavily on the collective appropriation of the means of production. As closer reading shows, however, this is just 1 facet of the alternative to capitalism Marx envisioned. In fact, its writing makes specific reference to a rationality broader than the strictly instrumental one he criticized capitalists for subscribing to, and which, despite his critiques, was taken for granted by many of his followers. As previously mentioned, Marx’s understanding of work was firmly rooted in the Hegelian tradition; he saw it, as Médé neatly phrases it, as “the essence of man” (Médé 1998: 93–113). When Marx speaks of “true work,” as opposed to “real” or alienated work, he is evoking what this book identifies as employees striving to deploy their expressive rationality: true work as he sees it is an activity that makes it possible “to affirm . . . my true nature” (Marx 1968: 35). Unfortunately, this facet of his thinking did not end up exerting the same influence on Marxist critiques of capitalism as his writing on the means of production.

To a reader seeking to remain faithful to Marx’s original thought, the real communist response to capitalism is therefore fundamentally flawed. Under capitalism, ownership of the means of production is private; under communism it is public — meaning collectively owned through the state — but those are two sides of the same coin, argues David Ellerman. Marx’s interest was in human emancipation, and his aims are betrayed by this
enduringly shallow distinction. Ellerman (1992) uses the luminous historical analogy of Sparta and Athens during antiquity to demonstrate how the difference between the way the labor factor is treated under the capitalist and communist systems is largely a symbolic one. As Ellerman explains, in Sparta slaves were publicly owned, by the city, and in Athens they were privately owned, by the individual masters — but both were slaveholding societies in which it was acceptable to hold human beings as property (Ellerman 1992: 2). From the slave's point of view, no matter the system, he remained chattel. To pursue the aim of human emancipation that nourished Marx's critique of capitalism, it is necessary to look beyond questions regarding ownership of the means of production. The critical issue is whether workers are able to participate in decisions concerning the conditions of their labor.

If it is to carry any weight, a critique of capital investors' hegemony over the firm must be fully rooted in the complexities of reality. Accounting for these complexities is the only way to develop a meaningful array of conceptual tools capable of building a rigorous, empirically founded, and relevant critique of the institutions that currently govern the capitalist firm. Our observation that both of these views of the firm, as ideologically opposed as they may be, perceive it as driven only by instrumental rationality, significantly advance us in this task, in two ways. The first is that a firm exists when capital and labor investors are involved in working together toward a common goal. Second, that while instrumental rationality is an adequate way to account for capital investors' relationship to the firm, especially in an age of global financial capitalism, in which capital is highly mobile, it cannot fully explain that of labor investors.
Despite their immense impact on society, from the halls of academia to the political struggles that marked the twentieth century and this one, we have just observed the extent to which the two dominant views of the economy, the economic theory of the firm and Marxist thought, were developed using rudimentary and incomplete conceptions of the firm, and continue to perpetuate them. They both view the firm as a mere organization pegged to the corporation, and perceive instrumental rationality to be the only logic driving the firm's two categories of investor—capital and labor. Once the observation has been made that this univocal reading is not borne out in factual reality, it seems almost shocking in its lack of intellectual nuance. It has, nevertheless, contributed in no small part to the conceptual foundations upon which the laws of our capitalist democracies have evolved—an evolution that has, in turn, reinforced these flawed conceptual foundations. To form the beginning of a response to this observation, this section shall offer an overview of a third approach that, while it lacks the tidy coherence of the schools of thought previously examined, provides what we hope is a more accurate and complete account of the firm as it actually exists. To do so requires us to tackle the three dimensions of the political theory of the firm: the substantive and the descriptive (covered in Part II) and the normative (Part III). The political theory of the firm is interdisciplinary in scope, but sees the analytical categories coming from the body of literature in political analysis and political theory as central in its approach to firms. Its evaluative and critical aspects (featured in Part III) will flow straightforwardly from the substantive and descriptive dimensions covered earlier (in Part II).

A substantive account is necessary to ensure that none of the relevant features to be included in the descriptive account have been left out. For if we, as the two schools of thought previously reviewed have done, suppose that instrumental rationality dominates economic life, we shall, like them, see no more in the firm than a corporation plus contracts—a mere nexus of contracts—or the pure exploitation of the weak by the strong. The reality of the firm is more complex, and offers equally rich challenges to those who value efficiency and to those who value democratic justice. Scattered across the social sciences are a wealth of intellectual resources, which, when drawn together, will help us to develop an understanding of the firm that reaches beyond corporate, reductionist liberal and Marxist frameworks.

A SUBSTANTIVE ACCOUNT OF THE FIRM: TWO RATIONALITIES MAKE A FIRM

What is a firm? The two schools of thought examined earlier have given us a partial answer: a capitalist firm is, indisputably, a space in which instrumental rationality is deployed, through capital investors, who seek the maximum return on their investments. In this idea of a firm, rational shareholder-employees celebrate rising stock prices even as the firm prepares massive layoffs, and workers are satisfied with recognition through salary alone. However factually relevant this limited vision of the firm may be, we cannot wholly understand the reality of the firm if we do not acknowledge that it is at the same time driven by another form of logic, by a rationality we propose to call “expressive rationality.” While capital investors in the contemporary global and financial age are highly mobile and can easily arbitrate on rates of return on investment, labor investors are for the most part driven by expressive rationality, as they invest their persons, not their capital, in the everyday workings of the firm. The operation of these two rationalities makes possible the activity of the firm. Denying the existence and influence of either one of them poses a grave threat to the robustness of the firm and its future. Identifying the existence of these two rationalities allows us to build a better analytical account of the reality of the firm, which we shall do in the sections that follow.

Instrumental Rationality Sustained by Capital Investors in the Age of Global Finance

We shall begin our exploration of the landscape of the political theory of the firm by acknowledging the crucial importance of instrumental
rationality to the firm's existence, and identify capital investors as its best representatives. This perspective does not imply that labor investors are not also influenced by this rationality in their relation to the firm, only that it is not the central rationality guiding their actions. By the same token, observing that capital investors are principally motivated by instrumental rationality does not mean that they are unaffected by expressive rationality. Quite to the contrary, and perhaps most visibly in the period between the Second World War and the collapse of the Bretton Woods system in the 1970s, when capital mobility was largely limited within national borders, capital investors' interests were tied to multiple non-instrumental considerations, such as serving the local community or the greater good, increasing consumer purchasing power, or generating employment. However, when the Bretton Woods system ended in 1973 and the Western economy began to finance in earnest, capital investors were freed from considerations other than return on investment. The focus on pure financial return on investment has narrowed and intensified over time through incentive mechanisms such as executive stock options. Mary A. O'Sullivan insists on the fact that "in addition, during the 1970s the quest for shareholder value in the US economy found support from a new source — the institutional investor. The transfer of stock-holding from individual households to institutions such as mutual funds, pension funds, and life insurance companies made possible the takeovers advocated by agency theorists and gave shareholders much more collective power to influence the yields and market values of the corporate stocks they held" (2000: 7).

Exceptions to this remain in the contemporary economy, of course, and some capital investors, typically those in what is known as the social or citizen-sector economy, are motivated by non-instrumental concerns.

A Substantive Account of the Firm: Two Rationalities Make a Firm

Nevertheless, it may be generally stated that the logic driving capital investors in today's economy can be summarized by O'Sullivan's conclusion in her study of struggles for corporate control in the United States and Germany: "the sole measure of corporate performance became the enhanced market capitalization of the company" (2000: 7–8). This is another way of describing what we call the instrumental rationality of capital investors: investment in capital is not an end in itself; it is a means to the highest potential return on investment, whatever the form this return may take (increased value of shares, dividends, etc.). As we have seen, it is precisely for this reason that capital investors are perceived as the optimal representatives and guarantors of instrumental rationality within a firm. In the words of the agency theory, they are its "principal," and ultimate master. To conclude, we will identify capital investors as the most faithful representatives of instrumental rationality in the firm.

Expressive Rationality: Moving Labor Investors in the Service-Based Economy

Non-instrumental rationality underpins the existence of the firm to at least the same extent as instrumental rationality. We will be developing an understanding of the firm as a political entity that combines the instrumental and expressive rationalities that drive, respectively, capital and labor investors. Here, the term expressive used to describe workers' relationship with work, and with the firm in general, refers to the register of meaning and values, as opposed to the register of instrumentality; it refers to the realm in which signification is built through lived experience, values, and ultimately, conceptions about justice, and should be contrasted with the realm of pure technique or of means. In other words, this understanding of the firm is rooted in the observation that beyond instrumental considerations, one's relationship to, and investment in, work, and the firm more generally, is nourished by meaning. Centrally, this relationship itself is substantively a vehicle for meaning. The experience of work...
contributes directly to the construction of meaning in human life, and in this sense its analysis cannot be reduced to any form of instrumentality, in this case, acting to make profit or wages. Although it will seem contradictory to those who read Marx only superficially, this approach shares with Marx the idea that work is the central component of the essence of man (Méda 1998), which underlies his critique of capitalism. As it was for Marx, Hegel's assertion that human life is a creative deployment of the (human) mind is the wellspring of our understanding of the firm as a political entity.

This conception of the firm as constituted by two types of rationality makes use of a central distinction in sociology that originated in Max Weber's seminal work on the logic of actions (1971). Weber identified major types of rationality that motivated people's everyday actions. The first was "value-rational action," defined by Weber as the "subordination of realities to values." We shall refer to this as "expressive rationality" in order to underline the importance of attributing meaning to action, a process to which values are central. The second type of rationality Weber described in terms of "means-end calculation," and is generally known as "instrumental rationality" (Kalberg, 1980: 1161). Contrary to prevailing interpretations of Weber's account of the homogeneous and inevitable rationalization (more often known as the process of bureaucratization) in the Western world, Weber did not "reduce the multidimensionality of rationalization processes to a single dimension" (Kalberg 1980: 1157). Our view of the firm, in keeping with the observations of the founder of economic sociology, acknowledges the constant interplay between two types of rationality - and processes of rationalization. Through this dynamic, their struggle to cohabit with and to influence each other, the political theory of the firm acknowledges that instrumental and expressive rationalities come together to bring the firm to life.

There is something more than money in daily employment.
Morris R. Cohen (1927: 28)

Do employees sit at work only for the wage they receive? The reasons for working are manifold, and not merely instrumental. The contribution of the entire field of the sociology of work goes "well beyond conceptions of work as exchange of labor for money to show the need of people to interpret what they do," and "how people attribute meaning to their work" (Bandelj 2009: 12) It is only fitting, then, to approach the firm with a more substantive theory of work, adapted to the contemporary service-based economy in which we live. To do so requires a clearer understanding of what work is to those who perform and experience it. Defining what work is requires us to report and interpret workers' work experience. Research into this question is vast, and cannot be exhaustively discussed in the present text. We shall then refer to our previous work on the topic (Ferreras 2007, 2012c) in order to provide an overview of the meaning of the work experience from the perspective of workers, to whom it is expressive, public, and, fundamentally, political.  

Expressive Relationship to Work

Most often, labor economics summarizes the individual's attitude to work in a simple equation: pain (at work) versus pleasure (outside of work). The utility of a salary through the access it provides to self-sustenance and leisure activities compensates directly for the disutility of work (Lane 1992: 49). The classical economic opposition of work and leisure (Juster 1986, Lane 1992) assumes an entirely instrumental attitude to work, and ignores a more comprehensive view of the "work experience" (Ferreras, 2007), as a fundamentally social relationship. As my own research has shown, the instrumental dimension of work ("making a living") is only one of five dimensions that characterize an individual's attitude to work. Work takes on its full meaning only when these five dimensions are considered together. The other four expressive dimensions that participate directly in defining work's meaning are "feeling autonomous" in one's capability to lead one's own life; "being included" in the social fabric; "feeling useful," be it to someone specifically, to the firm, or to society

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1 We rely on Jeremy Bentham's use of the term "meaning": a dynamic conception that "refers to the intention to relay a desire, a sentiment, an interest; that is, elements of the active faculty of the mind" (Bentham 1997: 249).
Foundations for the Political Theory of the Firm

The example of supermarket cashiers is a critical case—that is, a case so restrictive that if it can confirm an initial hypothesis, this thesis may be logically extended to less restrictive cases. The intrinsic value of work is largely absent for supermarket cashiers, who could therefore be assumed to be particularly likely to have a relationship to work in which the instrumental dimension is dominant. But in their accounts of their relationship to work, the three expressive dimensions (all, that is, except the intrinsic value of work) are even more present than the instrumental one. Such a relationship to work may be described as autonomously expressive—that is, independent of the interest inherent in the work itself. By extension, it may be concluded that an individual’s expressive relationship is still more intense in cases where the work being done is perceived as more interesting than the work of the cashier. It is only reasonable to assume that a member of any professional category who finds any aspect of her work—she a little bit more interesting than a cashier’s would relate to that work in a manner even more marked by the expressive dimensions. Examining the other end of the salary spectrum, Massaro (2003: 14) cites a similar relationship to work: once one has achieved a level of pay that enables them to decently sustain their own life, an individual’s relationship to their work is more affected by how interesting they find it than by the remuneration that comes with it. To illustrate this, Massaro quotes a partner in a major New York law firm: “the novocaine of your paycheck wears off quickly if you don’t enjoy what you do.” Coutant’s recent case study (2016) offers a unique longitudinal view of an entire organisational hierarchy during a merger between two firms in the aeronautical industry, and is an excellent example of how investment “of person (of labor; in other words) in a firm has expressive dimensions all the way up a firm’s hierarchy, from the way its smallest work teams coordinate to decisions made by its board.

5 Management research essentially identifies the same reality when, using scientifically controlled studies, it looks for sources of people’s motivation in the context of work. Pink (2009) assembled research available in behavioral economics and psychology to demonstrate that motivation—and therefore productivity—in the workplace are dependent on three factors that precisely mirror the three expressive dimensions described earlier. He identifies them as autonomy (the desire to be self-directed), i.e. the capacity to determine the way one’s work function is organized, mastery (“our urge to get better at stuff,” i.e. self-improvement, gaining expertise in a particular field), and purpose (“serving an end recognizably greater than oneself and the actual task being done”).

6 For a strong statement on the “right to meaningful work,” grounded in a capability approach and the right to lead one’s own life, see the research by Yoonan (2014), which connects a moral imperative to integrate workers’ expectations of meaning in the structuring of global supply chains.
characterized by the presence of a third party, that of the client. This may take place either in person, at points of direct service, or indirectly, via various forms of communication or intermediary mediations. From a sociological perspective, as well as from the perspective of those actually living it, this characteristic is a cornerstone in the redefinition of the contemporary work experience.7

From the perspective of the worker’s lived experience, the client’s presence in the workplace has caused a fundamental shift in the actual fabric – and conceptual location – of the workplace, pushing it away from the familiar space it once occupied at the margins of the private sphere. The best way to characterize this space is as public. In Ferreras’s (2007) study of cashiers’ subjective experiences of their work, workers referred most often to the regime of civic interaction8 typical of the public sphere, rooted in the equal dignity of all, which involves (sometimes forced) respect for others, equal consideration, and the right to maintain a private life without letting its specificities affect the impartiality with which others are considered. Beneath the customer’s unceasing gaze, employees expect that interactions will take place within the regime typical of the public space of democratic societies — that they will be organized, in other words, through its principle of equal dignity. However, the relationship established between employee and customer is, in reality, determined by another regime of interaction, one that is actively promoted by management, which expects a service relationship, modeled on the regime of domestic subordination. This situation causes serious tensions, and even open conflict in the contemporary workplace.

Historically, the regime of domestic subordination dates back to pre-democratic regimes of interaction (which Martuccelli called “hierarchical regimes”). In this regime, “the esteem due a person is clearly accessory to his rank” (Martuccelli 2002: 246). Those of superior rank are indisputably entitled to greater respect. Here, the qualifier “domestic” is used to accentuate the often arbitrary dynamic of subordination and fixed status-related discrimination that plays out in the workplace. It makes deliberate reference to the domestic servants of the ruling classes in past centuries, who were required to cater to their masters’ whims, and generally lived under their roofs. This regime of interaction is described as “domestic” because, in the contemporary context of advanced democracies, it has remained rooted in the private sphere.

“Even when they’re wrong, the customer is always right,” as 1 cashier put it. “The customer is king,” stated another. The experience of service work is thus characterized by subordination, focused on satisfying customers’ wishes and not defying their injunctions. “Never talk back,” a cashier is told, whether a customer insults an employee or is merely impolite; “never argue,” “never disagree,” “never contradict,” “accept contempt without reacting.” It is clear from those statements that their work is carried out in a non-civic regime of interaction, one that harkens back to pre-democratic regimes of interaction. But today, cashiers are citizens too, whose status is “equal in dignity and rights” in every way to those they serve, which implies that they expect to be treated by customers in a manner consistent with and respectful of this fundamental norm of the civic regime of interaction. These two regimes – the one expected by the employee, the other demanded by the employer – fall neatly on either side of the dividing line between the public and private spheres, a dividing line that has marked the history of social relations in Western society in general, and labor and industrial relations in particular.

Sociological analysis shows that in the era of the service economy, working to serve others within the context of a commercial economic transaction that is regulated by a work contract does not necessarily imply, from the point of view of the person rendering the service, assuming the status of a domestic servant. To the contrary, in their eyes, their work is perfectly compatible with their status as citizens and equal participants in the public sphere. In any case, that is the employee’s expectation. Today, the prevailing models of work organization and “customer relations,” however, promote domestic-style relations between the customer and the employee. Like the “labor input” in the capitalist firm’s production equation, the domestic regime of interaction in the service context is the material manifestation of the dystopian ideal that drives capitalism as described by Marx. It leads to a specific form of alienation: the worker is potentially transformed into a commodity, a tool of production among many, in the service of a project decided upon by a corporation’s capital investors, to whom he or she is nothing but an instrument.9

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7 My study of supermarket cashiers is highly germane to the sociology of service work. The work of its subjects is typical of the service economy: cashiers work constantly in the presence of customers while at the same time remaining in the presence of their coworkers and under the surveillance of their hierarchical superiors.

8 The concept of the regime of interaction, based on the “political regime of interaction” described by Martuccelli (2002, 246), seeks to describe the “conventional backdrop against which interactions take place and from which they derive meaning.”

9 For a seminal account on the major consequences of this situation on the worker at the subjective and emotional level, see Hochschild (1983).
Political Logic of Work

Just as the customer’s presence in the workplace gives rise to a new understanding of that place as a space where employees experience as located in the public sphere, so, too, does it incite us to pursue the analysis of contemporary work in the specific context of evermore prevalent policies of flexibility. To this end, two dimensions of work must be taken into consideration, expectations of justice and expectations of flexibility, and we will explore both of them here.

The experience of work in the era of flexible labor implies continuous and increased confrontation with others. From the worker’s point of view, this means being confronted with multiple sources of normativity—customers, colleagues, members of the firm hierarchy. Employees’ assessments of their work and the multitude of situations it entails have one feature in common: the principles of justice are used to understand, analyze, and judge work situations. Whatever is at stake, be it scheduling issues (who takes on what shift? evenings? weekends? etc.), access to training, the announcement of a major restructuring plan, or the decision to invest in a given department or product—each decision, each interaction that constitutes the work experience offers employees an opportunity to compare and contrast, dispute, or revise—or implicitly or explicitly— their values and ideas of what is just. What might initially be understood as employees’ expressions of discomfort, frustration, anger, or suffering—which may at times be expressed as workplace-related illnesses—are fundamentally experiences of injustice, of which these expressions are merely a symptom. For example, when describing altercations such as the one in the interview in the following text, they all use similar terms to describe work-related suffering, which, in some cases, ends in burnout and exhaustion so severe that they must take sick leave:

G1/M: Because I remember one day an old guy came through with his grandson, and he said to him: “See why you have to work hard in school? So you don’t end up like this lady!” [laughs] We just take it.
Ring it up, shove it in your cash drawer, move on, you know? But the thing is...it’s all stuff like that!
I: He just said that straight out, right in front of you?
G1/M: Of course! [...] I: Without looking at you?

Experiencing expressions of contempt from customers is common for service workers, and they react to them with a profound feeling of injustice, which is intensified by the fact that they are not allowed to respond. The customer truly is “always right”: the cashier cannot contradict them. Some cashiers “toughen up” after years of coping with this reality; others cannot and suffer from psychological or physical breakdowns (one may be substituted for the other). They may fall victim to long-term illness, or, with better luck, be transferred to a part of the store that requires less interaction with customers. The idea of justice informs an employee’s apprehension of all events playing out in the workplace, be they connected to a standard for organizing the work itself or the way in which that standard is applied. Justice (and injustice) orders the normative grammar of work and the workplace.

At the same time, the forms of flexibility that shape the work experience in the era of the service economy are all experienced as instances of insertion and positioning within collectives. By personalizing schedules, responsibilities, tasks, etc., flexibility as it is concretely experienced by workers requires those who work to position themselves with regard to the individuals and groups of individuals who make up the workplace.

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10 Interview conducted by the author (identified as I in the text) with two cashiers employed by the M supermarket (Ferreras 2007).
or with whom they are expected to coordinate, no matter their status or affiliation to the same organization. This aspect of contemporary life is indisputable: work today has been entirely redefined by strategies of both qualitative and quantitative flexibility. With quantitative flexibility, this translates into part-time work and variable working hours, while for qualitative flexibility it means multidisciplinary tasks and work team mobility. If it has traditionally been supposed that flexibility "individualizes" employees (in terms of schedules, tasks, and even salaries), I develop a sociological understanding that reveals a different reality: flexibility is lived, from the perspective of the individual, as an unceasing experience of inscription in the collective, or, at least, of reference to and positioning with regard to the others. It is therefore only logical to note that the working individual would apprehend their work experience using the ideas of justice and injustice they mobilize in any other – public – context in which they relate to a collective.

An analysis of contemporary work could not show any more clearly that work is a continuous lesson in how to situate oneself with regard to others in the context of a reference to the collective. Individuals at work learn, by choice or by necessity, to respect the place of others and situate themselves with regard to a hierarchy; they learn about compliance with authority and the conditions for its legitimacy; they learn that their own claims may not necessarily be recognized or justified; they learn to compromise and reposition themselves when their expectations and ideas of justice have been frustrated. For these two reasons – because workers mobilize an understanding of the work-related situation through the lenses of justice and because they mobilize it in the context of the continuous experience of placing themselves within a collective – we must conclude that the core of the work experience is political. To summarize, working means engaging in the following experiment: mobilizing the conceptions of the just (or the unjust) within the frame of reference of the collective. It is for this reason that I speak of political logic, since mobilizing conceptions of justice in (the context of a) reference to the collective is what many traditions of political philosophy consider as central to the experience of "the political."

Intuition of Democratic Justice

Each person in a work environment possesses their own individual ideas about justice. Justice might be measured through performance (merit-based) or it might require family situation to be taken into account; then again it might use seniority as an ordering principle, or merely value formal equality (in the determination of work schedules, for instance). Different substantive conceptions about what is just are present in any work environment. Yet, beyond this diversity, those who work are aware that their co-workers do not necessarily share their vision of how any given aspect of work life should be decided. All of them, however, share the same intuition that their individual vision should matter. Put another way, they do not see why that vision is not taken into account when decisions are made. In this we may distinguish the outline of a meta-conception of justice that transsects individual ones: workers share an intuition that all coworkers have a legitimate claim to participate in forming the specific conception of justice that will in the end regulate their life in the workplace. They aspire to, or they intuit that a decision about how to organize life in the workplace can only be felt as just once each worker's voice has been taken into account (Ferreras 2007). This procedural norm, intuitively identified as the standard that should govern the organization of a collective and the substantive choices of the criteria of justice that structure it, is none other than the principle of democratic justice. This principle emerges as the one that should order debate and decision-making in the workplace. This intuition, shared among employees, that decisions over how life should be organized in the firm should be governed by a deliberation in which all employees are represented shall therefore henceforth be referred to as the meta-norm of democratic justice.

Vaguely as it may be felt among employees, the notion exists among employees that it would be fair and just to be considered as "equals" – responsible partners, citizens in the workplace, on equal footing with the firm's other actors, the managers, the capital investors. I call this the critical intuition of democratic justice, and when it goes unrecognized, a fundamental conflict slowly ferments, one that touches all work contexts, at

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9 Qualitative flexibility – "flexible work" – aims to maximize workers' investment in tasks in order to avoid dead time (it may take the form of expanded functions, multiple disciplines, teamwork, training, etc.), while quantitative flexibility – "flexible employment" – aims to adapt the "work factor" – that is, the workforce (the number of employees or hours worked) – as closely as possible to the needs of the production process (it takes the form of new types of work, irregular working hours, part-time contracts, fixed-term contracts, subcontracting, the use of temp agencies, etc.) (Barbier and Nadel 2000).

13 I use the term "democratic justice" (Shapiro 1999) based on a classic understanding of the following principle of justice: each member of the polity (or demos i.e., the concerned community) must participate on an equal footing in deliberation about norms that will be applied to them or with which they will have to comply (direct participation) or, at the very least, have equal weight in determining the procedure by which the norm will be established (representative systems).
times unstated, but clearly felt. In everyday work life, it may be glimpsed in words of anger or of resignation,\textsuperscript{14} in ordinary indignation, in gestures of discouragement or exasperation; worse, it sometimes takes the form of "workplace suffering" and physical and psychological problems of all sorts.\textsuperscript{15} All these phenomena are symptomatic of the conflict emerging from the gap between workers' expectations as to the regime of interaction in which their work should take place -- which, in their minds, is felt as, and should be, civic and democratic -- and the regime of interaction that is actually promoted in the corporate firm, which remains domestic.

As the history of labor has shown time and again, workers have always been affected by the injustice of various situations they experience at, and around work (Green 2000, 2007, Zinn 2001, Renault 2004, Faure and Rancière 2007). But until recently, until the rise of the service economy, workers were not constantly reminded in their day-to-day work of the norm of equal dignity and expectation to collective autonomy\textsuperscript{16} upheld by the ideal of democratic justice in the public sphere experience, via the regular and repeated appearance of third parties. In the domestic atmosphere of a factory, as a foreman treated a worker poorly, it could feel unjust, but that was more easily considered a common fact of the closed, private sphere of the economy.\textsuperscript{17} In the service economy, on the other hand, workers are confronted daily with the third-party figure of the customer, who introduces, willingly or not, the conventions typical of the democratic public sphere into the world of work. The term expressive rationality is used here to describe what drives those who invest their person and work in the firm, because they relate to their own work experience in expressive terms in the context of a redefined, broader, and more inclusive public sphere, in which they expect democratic justice to organize their shared existence. Behind the concept of expressive rationality lies the broader idea that the employees' investment in the firm is an expressive, public, and political experience that mobilizes their intuition of democratic justice. This book contrasts expressive rationality with instrumental rationality, which is defined by means-ends calculation, and informs capital investors' relationships to the firm as an instrument whose purpose is to bring return on investment.

Conclusion: The Firm as the Conjoining of Instrumental and Expressive Rationalities

Acknowledging this cohabitation of instrumental and expressive rationalities in the firm has two major consequences. First, on the analytical level, it requires that the firm be understood as, more than a mere economic vehicle, a political entity in which power is exercised by the two categories of investors in the firm, investors in capital and investors "in person," or labor investors, and deployed via their two types of rationality. Each firm generates an active combination, a particular equilibrium of these two. When the firm, defined in this way, is held up to other political institutions active in democratic society, the exceptional status previously accorded to firms as a mere vehicle for instrumental rationality -- and therefore expected, required, and designed to uphold the primacy of capital investors' interests -- can no longer be considered legitimate.

Practically, to acknowledge this definition is to recast the firm as a place in which these two rationalities compete for influence. This competition may currently be better defined as a struggle, in that the firm does not yet possess a set of institutions that would allow this competition to create productive outcomes. And on a normative level, looking to the future, this definition implies that the firm's current exemptions from the demands and obligations of the democratic norm will be difficult to maintain: democratic justice is the political standard in the culture of contemporary democratic societies -- why should it not be applied to the firm? The challenges raised by this redefinition will be addressed in Part III of this book. First though, we will delve deeper in identifying the constitutive parts of the political theory of the firm.

\textsuperscript{14} Two figures matter here: in the case of the United States, which is traditionally considered to be rather hostile to unions, unionization has dipped below 7 percent in the private sector, but 90 percent of American workers say they are in favor of a form of independent organization for employees in their companies, whose purpose would be to represent workers and communicate their viewpoints to management. See the most complete study carried out in the United States on American workers' expectations regarding representation and participation in work (Freeman and Rogers 2006). See also Bryson and Freeman (2006), Freeman and Hilibrich (2013).

\textsuperscript{15} Studies of the "psychodynamics of work" have illustrated these phenomena in abundant detail. In particular, see the pioneering work of Dejours (1993). From the French service sector to Chinese computer and microprocessor production facilities, cases of work-related suicide, which have received increasing media attention in the past few years, are their logical and most dramatic outcome.

\textsuperscript{16} "Collective autonomy among equals" is one simple and powerful way to give a substantive definition to democracy, according to the French political philosopher Castoriadis (1999).

\textsuperscript{17} As mentioned earlier, an appropriate name in Greek: oikos-nomos, the law of the household, under the ruling of the despotes. Today, as I explain, the economy has lost all resemblance to the private oikos, and has fully entered the public sphere.
A DESCRIPTIVE ACCOUNT OF THE FIRM: FUNDAMENTAL DIMENSIONS

As explained in Chapter 5, presupposing the domination of instrumental rationality in the economic life of the firm leads to one of two views of the firm, which, although located on opposite ends of the ideological spectrum, are built on the same core assumption, which is that the firm is a vehicle— an instrument. The first sees the firm as a set of contracts and nothing more— a nexus of contracts, it is sometimes called. The second identifies the firm as a structure through which the strong exploit the weak. Neither view is broad enough to identify the firm’s relevant features for a comprehensive descriptive account. The substantive account of the firm previously given has begun this task: it observes that the firm is the locus of two intertwined rationalities, the instrumental and the expressive, deployed by two groups of actors. This broader definition allows us to mobilize a battery of intellectual resources not available to us from within the confines of the corporate, reductionist liberal and Marxist frameworks we have previously described. In this section, we will draw together these resources, from fields as diverse as law, sociology, economics, philosophy, psychology, history, and industrial relations, in order to lay the foundations for an understanding of the inner life of the firm as a political entity. This makes it possible for us to broaden our focus from the reductionist lens of the economic theory of the firm, which reveals only the corporation, and apprehend a more rigorous, more comprehensive alternative, which I propose be called the political theory of the firm.

The political theory of the firm spans at least eight fundamental dimensions, which we will sketch out in this section. It offers a conception of the firm as an entity powered by different categories of investors, labor and capital, and moved by distinct rationalities—we have identified two major ones, instrumental and expressive. It is a conception that is not only empirically relevant, but also evaluative and critical in a manner comparable to that of the economic theory of the firm. This last dimension will be laid out in Part III of this book, which addresses the normative dimension of

the political theory of the firm. These evaluative and critical aspects will flow straightforwardly from the substantive and descriptive dimensions of the firm for which are mobilized the analytical categories coming from political analysis and political theory. This exploratory book is not the appropriate venue for a full literature review of each dimension, each of which must be informed by numerous existing works, which have yet to be organized into the field of the political theory of the firm. The goal of the paragraphs that follow is merely to demonstrate that these sources exist, and to establish that founding such an interdisciplinary academic field is now possible. Many more works remain to be explored and integrated, drawn together, and developed by relevant specialists in order to foster scientific debate fertile enough to sustain the field. This cannot be an individual endeavor and will require the work and expertise of scholars grounded in a wide variety of disciplines.

Corporate Law and the Reductio ad Corporatemon: Distinguishing the Firm from the Corporation

As the legal scholar Jean-Philippe Robé puts it, “firms are structured using corporations; they are not corporations” (2011: 7); as it is evident that discussion of firms should be legally sound, let us begin by explaining the meaning of the terms we shall use:

A corporation (or company, its frequent synonym) is a legal entity founded by a group of capital owners who organize themselves using a certificate of incorporation, which is a legal instrument recognized and administered by a state, and which has legal standing in its courts. These owners set capital apart from their other, personal assets in order to jointly pursue the development of a business activity, which is granted the status of a legal, “moral persona” by the court. The creation of this fictional “person” protects investors from risk by ensuring that, should the venture fail, they will lose only the capital they invested in it, not their personal assets, and will not be held personally responsible for the actions of the legal entity. The corporation is usually run by a board of directors (or simply a director), which is empowered to mobilize it as a legal entity

18 Inspired by the tradition of the critical social sciences, we wish to develop a concept that is not only factually grounded, but which helps assess reality by enabling us to measure the distance between that reality and the democratic aspiration to collective autonomy that drives human agency. Although it claims to be scientifically objective, it is crucial to recognize that the particular concept of the firm developed by the economic theory of the firm also serves an evaluative purpose, as it advances the interests of a specific category of investors in the firm—the shareholders of the corporation. See Jung and Dobbin (2016).

19 The oldest such company was established in 1600: “the Company of merchants of London trading into The East Indies is granted a royal charter by Queen Elizabeth I, established with 125 shareholders under the name ‘The East India Company,’ with £72,000 of capital. Sir Thomas Smythe is The Company’s first Governor. Elizabeth also limited the liability of the EIC’s investors as well as her liabilities in granting a Royal Charter. This made The Company the world’s first limited liability corporation.” Source: http://theeastindiacompany.com
to enter and honor contracts (with employees, other businesses, suppliers, etc.). The directors (also known as associates) use the assets that the corporation controls to develop the firm.

As a firm grows, its board of directors is forced to delegate managerial responsibility to a group of officers hired for their specialized knowledge in management and organization. The present text will consider corporations that are sufficiently large and complex to be run by professional managers rather than directors or proprietors. Firms of this size necessarily display a significant degree of separation between the ownership of shares and the control of the firm performed by these professional managers, in the classic sense used by Berle and Means (1932). The present text uses the word firm to mean an organization mature enough to be run by a group of officers composed of professional managers hired and overseen by the board and given the authority to mobilize that corporation's assets in order to fund the profit-making activities of the firm. Both public and privately held corporations — those with shares that are widely held and tradable on a stock market as well as those with private ownership shares restricted from public trading — are included in this definition.

The goal a corporation pursues is specified in its incorporation charter. This goal may change over time; for example, a corporation may be incorporated in the seventeenth century with the narrow goal of importing luxury goods from India, then add a bank in the eighteenth century, branch out to building railroads in the nineteenth century, and then renew its charter in the twentieth century with a stated goal so broad as to pose no limitations at all on the scope of its activity. To pursue its stated goal, the corporation must organize a firm; that is, a wide array of coordinated actions, mobilizing resources within the legal infrastructure provided by the corporation. Robé describes this process as “building the firm around the corporation” (2011: 36). We use the term “firm” to describe this field of coordinated activities. When used in this sense, the firm (or business enterprise, as it is sometimes called) is not confined or defined by the legal existence of the corporation alone, and indeed has no clear definition under the law. It is a deliberately broad term, used here to refer to the many actions that are required to pursue the profit-making activities of the corporation. As Fama has aptly recalled, highlighting Berle and Means of Delaware, USA, this same corporation states its goal in such a loose way that it could be applied to many different industries beyond healthcare: “the nature of the business, or objects or purposes to be transacted, promoted or carried on are as follows:

- To carry on the business of chemists, druggists, chemical manufacturers, importers, exporters, manufacturers of and dealers in chemical, pharmaceutical, medicinal, and other preparations and chemicals.
- To engage in, conduct, perform or participate in every kind of commercial, agricultural, mercantile, manufacturing, mining, transportation, industrial or other enterprise, business, work, contract, undertaking, venture or operation.
- To buy, sell, manufacture, refine, import, export and deal in all products, goods, wares, merchandise, substances, apparatus, and property of every kind, nature and description, and to construct, maintain, and alter any buildings, works or mines.
- To enter into, make and perform contracts of every kind with any person, firm or corporation.
- To take out patents, trade-names, trade names and copyrights, acquire those taken out by others, acquire or grant licenses in respect of any of the foregoing, or work, transfer, or do whatever else with them may be thought fit.
- To acquire the good-will, property, rights, franchises, contracts and assets of every kind and undertake the liabilities of any person, firm, association or corporation, either wholly or in part, and pay for the same in the stock, bonds or other obligations of the Corporation or otherwise.
- To purchase, hold, own, sell, assign, transfer, mortgage, pledge or otherwise dispose of shares of the capital stock of any other corporation or corporations, association or associations, of any state, territory or country, and while owner of such stock, to exercise all the rights, powers and privileges of ownership including the right to vote thereon.
- To issue bonds, debentures or obligations of the Corporation, at the option of the Corporation, secure the same by mortgage, pledge, deed of trust or otherwise, and dispose of and market the same.
- To purchase, hold and re-issue the shares of its capital stock and its bonds and other obligations.
- To do all and everything necessary, suitable, convenient or proper for the accomplishment of any of the purposes or the attainment of one or more of the objects herein enumerated, or of the powers herein named, or which shall at any time appear conducive to or expedient for the protection, or benefit of the Corporation, either as holder of, or interested in, any property or otherwise, to the same extent as natural persons might or could do, in any part of the world.” Source: http://www.pfizer.com/sites/default/files/investors/corporate/certification_inc.pdf
(1932)'s distinction between ownership and control, and the importance of managers, and contrary to the prevalent definition employed by the economic theory of the firm, which reduces the firm to its corporate form: “ownership of the firm is an irrelevant concept. Dispelling the tenacious notion that a firm is owned by its security holders is important because it is a first step toward understanding that control over a firm’s decisions is not necessarily the province of security holders” (1980).

As we have suggested, the economic theory of the firm is flawed in that it treats the firm as nothing more than a discrete legal entity at the center of a nexus of contracts, in particular trade and labor contracts. In this sense, it practices a Reductio ad Corporationem, folding the firm into the corporation by pretending that the fundamental qualities of a firm are identical to those of the corporation. This occludes an immense and incommensurable portion of the firm’s reality. In doing so, the economic theory of the firm, while claiming scientific neutrality, has in fact upheld and validated a very narrow understanding of the conflicts and motives of firms, casting the shareholders, board of directors, and the executive officers in the simplistic framework of the principal-agent model. Counter to law and jurisprudence, it has transformed them into mere agents of their principals, the shareholders and the board, respectively.

The political theory of the firm offers an alternative to this Reductio ad Corporationem by shedding light on the actual and very dense relationship between the corporation and the firm, rather than ignoring or obscuring that relationship. To this end it will examine all the relationships that make a firm, identifying the different power relationships that play out within it. Whereas the power relationships of capital investors are organized through the legal vehicle of the corporation, the network of labor investors lacks structure, and is not organized in any way within the institution of the firm. Currently, capital investors are the only recognized organized constituency of the firm. The corporation is the institutional structure through which they exercise power over the internal life of the firm and its fate. If we define political rights in the firm as the right to participate in the government of the entity that exercises power over a constituent, or participant (for example, through representation in the general assembly and participation in the nomination of board members), then shareholders are the only investors who currently have any such rights. If we look at this situation from a democratic perspective, the fact that all other constituents or non-capital investors in the firm are disenfranchised becomes striking: they have indeed no binding influence over the future of the collective endeavor in which they are participating.  

Labor Law and Sociology: Recognizing the Institution in the Firm

The nature of the firm has been hotly debated in the field of labor law, and the great French labor lawyer Alain Supiot identifies two opposing approaches within the field. The first, which he calls the individualist approach, follows the reductionist views of the firm discussed at the beginning of Part II: “The individualist approach sees the firm as the combined deployment of ownership of means of production and contractual freedom. Capital owners control the legal status through which it is put into operation.” The network of contracts through which the firm is established is not intended to organize any sort of community, but, rather, to provide a framework for its owners’ relationship with other economic operators, including its employees. This approach is rooted both in economic liberalism (as a sort of consecration of the abstraction homo economicus) and in Marxism (it fits with the idea that Capital and Labor have opposing interests), (Supiot 2002: 177) The second approach he identifies as the communitarian approach, “rooted both in the social doctrine of the Catholic Church and in German legal doctrine” (Supiot 2002: 178). Here, he makes an observation crucial to the advancement of the political theory of the firm: “the communitarian approach analyzes the firm as an institution that includes capital holders and employees in the same community – as well as, more recently, what J. K. Galbraith has called ‘technostructure,’ not a mesh of legal and economic operators set up by and for capital owners, but, to the contrary, an institution that brings together Capital and Labor around a common goal: the interest of the firm” (Supiot 2002: 177).

The observation that the firm is an institution is one of the building blocks of the political theory of the firm. But whereas the communitarian approach to the institution of the firm narrows it down to a corporatist perspective, from which the firm appears as a “community” driven by a

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24 This is a general statement which holds even in contexts where unions are present, or when employees’ views are solicited through dynamic HR policies.

25 This approach is precisely the Reductio ad Corporationem perspective.


27 See Galbraith (1973).
“common interest,” the political theory of the firm asserts that the firm is an institution that should be understood in political, and thus in potentially agonistic terms.

Of course, the very question of how exactly to define an institution is a thorny one: indeed, Boltanski has called it “the disembodied spirit haunting sociology” (2008: 26). His definition is simple and descriptively powerful: institutions take up “the task of confirming what is; of describing and prioritizing” (2008: 26). Seen in this light, they are the ultimate seat of symbolic violence and domination: to confirm, describe, and prioritize reality is to exert power over others’ realities. Boltanski cautions that institutions must be distinguished from “organizations, on the one hand, which hold functions of coordination,” and “administrations, on the other, which hold policing functions.” For Boltanski, this makes organizations and administrations “the means institutions must be given in order to act in the embodied world” (2008: 27). The paradox of the institution, as Boltanski sees it, “which is at the core of sociology’s ambivalence toward it, may be summed up as follows. Yes, institutions really are, as has so often been repeated in the theoretical discourses of the 1960s and 1970s, instruments that risk being put to the service of domination, and in this sense, they constrain action and bind it within more or less confining limits. And yet, as those working in the tradition of Durkheim have repeated time and again, within another set of relations, they are necessary in that they reduce uncertainty about what is – and that is a necessary condition for action to take place” (2008: 34). A firm is clearly an institution in the fullest sense of the sociological use of that term. It is a space in which power relations are expressed and deployed, and, as a result, in which conflict and potential patterns of domination are a constant. It confirms what is, describes and prioritizes, is the ultimate seat of symbolic violence and domination, and harbors functions of organization and administration.

18 “From there, a deep ambivalence toward institutions, which is inherent in all social life. On the one hand, institutions are trusted, one ‘believes’ in them. What alternative is there, since without their intervention, anxiety over what is could only grow, with the attendant risks of discord, violence, or, at least, dissipation into private languages that would suppose. But, on the other hand, these institutions are suspected of being mere fictions, in which the only reality is the human beings that make them up, who speak in their name, and who, endowed with desires, impulses, etc., possess no particular quality that would make one inclined to trust them.” Boltanski proposes that “in this tension there is an insurmountable contradiction, which is, in some ways, at the bedrock of shared social life,” which he calls “hermeneutic contradiction” (Boltanski 2008: 28-29).

19 Segrestin (1992) concluded his pioneering work on the firm, the first of its kind in French sociology, Sociologie de l’entreprise (The Sociology of the Firm), published in 1992, with a chapter titled “Trends: the Firm as Institution.” The term referred to the firm’s significance, claims, aspirations, and “civic responsibilities” (Segrestin 1992: 213) in the society of the future.

30 To highlight the centrality of this “search” attitude to a new way of organizing the firm he identifies, Sabel (2006) uses “search network” as a synonym for “network firm.”

Organization of the Firm: Networked and Fissured

Organizational sociology has observed dramatic changes in the nature of the firm over time. Sabel’s contribution to the organizational perspective bolsters our observation that the nature of work in firms has shifted as the economy has. As he explains it, “the canonical form of [firm] organization in the period from the late nineteenth century to roughly 1980” was typically “hierarchical and closed.” According to Chandler (1977), the classic firm in this period was “a vast machine for generating 1 set of rules for decomposing a broad goal into countless small, easily mastered steps, and another set of rules for checking compliance with the first. Subordinates are rewarded for following the rules” (Sabel 2006: 107). This generated massive economies of scale, which led to economic success.

Starting in the 1980s, firms made innovation a top priority, and the dominant form of organization in the rapidly globalizing economy in search of flexibility became and still is “federated and open” (Sabel 2006: 107). Sabel calls these new firms network firms, observing that they “manifestly outperform hierarchies in volatile environments, where goals change so quickly that reducing them to a seamless set of task specifications is highly risky, if it is possible at all” (Sabel 2006: 108). In volatile economic environments, characterized by rapidly changing market conditions, the network firm is defined by “the centrality of search routines” for innovation, as these represent an efficient “alternative to the decomposition of tasks as a solution to the problem of bounded rationality” (Sabel 2006: 124). The networked organization makes “a kind of permanent uprising against habit the key to survival in an otherwise unmanageable turbulent world” (Sabel 2006: 107). It is characterized by organizational routines [that] define methods for choosing provisional, initial designs and production set-ups, and revising them in the light of further review and operating experience. Collaborators are rewarded for achieving broad goals according to standards defined as part of the process by which the goals themselves are set. Rule following entails… the obligation to propose a new rule when the current one arguably defeats its purpose” (Sabel 2006: 108). According to Sabel, the organization in search of innovation manifests these features because of a “deep sociological truth—long obscured by classic organizational theory—that innovation can only
become routine when the innovators are ‘loosely coupled’ (Weick 1976) – intimate enough to learn from nuance, but detached enough to break with the convention and the habits of the group” (Sabel 2006: 116).

Sabel’s contribution is central to the development of the political theory of the firm because the consequences of prioritizing innovation over economies of scale have been just as enormous for labor investors as they have been for organizations. Transformations of organizational conditions in order to foster efficiency have produced a range of new ways to deal with human capital. Seeking to maximize their capability to innovate, firms have sought maximal flexibility externally and internally. Externally, through strategies of outsourcing, subcontracting, and offshoring, this transformation led to the emergence of the transnational firm as a so-called supply chain of distinct legal entities driven by a “hub firm” (Chassagnon 2014) or a “lead firm” (Weil 2014) that sustains, organizes, and governs the network (Sabel 2006: 132–139).

Internally, this shift has had an equally dramatic impact: the workplace has become “fissured,” according to the metaphor used by Weil (2014), who offers a powerfully evocative description of the contemporary workplace: twenty years ago, workers in the distribution center of a major manufacturer or retailer would be hired, supervised, evaluated, and paid by that company. Today, workers might receive a paycheck from a labor supplier or be managed by the personnel of a logistics company, while their work is governed by the detailed operating standards of the nationally known retailer or consumer brand serviced by the facility. And whereas IBM in its ascendency directly employed workers from designers and engineers to the people on the factory floor producing its computers, Apple can be our economy’s most highly valued company while directly employing only 63,000 of the more than 750,000 workers globally responsible for designing, selling, manufacturing, and assembling its products (2014: 7–8).

Firms employ these fissuring strategies to cut costs. They allow firms to escape their responsibilities to their workers, while maintaining the capability to command them. Weil calls this “having it both ways.” Firms “can embrace and institute standards and exert enormous control over the activities of subsidiary bodies”; at the same time, “they can also eschew any responsibility for the consequences of that control” (2014: 12–14). Or, as Robé writes, “by oversimplifying the issues of corporate governance in a globalizing world, the proponents of shareholder value contribute to the sustenance of corporate governance systems which systematically convert externalities – costs imposed upon others and the environment, social and natural, via biased governance systems – into profits.” (Robé 2011: 65) The transformation identified by Sabel, Weil, and others highlights the necessity of a thorough understanding of power relationships in contemporary firms to building an adequate political theory of the firm. Rethinking the government of firms is not feasible so long as their current de facto government remains largely invisible, as it is today. The firm as it exists today has been obscured by the corporation, which has been given the limelight while all other aspects of the firm’s reality are relegated to the shadows.

Power: Authority, De Jure and De Facto Powers, Intra-Firm and Inter-Firm Relationships

Even if the firm is considered from the (supposedly) narrow lens of private property, the issue of how power is deployed within it, and whether and how that power should be regulated, is a crucial one: as the great legal scholar Morris R. Cohen pointed out long ago, the line separating the principles of sovereignty that apply to politics and those that apply to property is difficult to draw. Arguing that “a property right is a relation not between an owner and a thing, but between the owner and other individuals in reference to things” (1927: 12), Cohen proposed not just an understanding of property but a means to identify its limits. He showed how, in practical terms, property law confronts the same issues at stake in political sovereignty; it is an important example he gave was employer-employee relations. He pled for a non-absolutist understanding of property law, pointing out that it emerged as a field during the political struggles against absolute monarchy that marked the seventeenth and eighteenth centuries. In an equally seminal article published in 1978, Miller extended Cohen’s analysis, arguing that because firms had what he called “governing power” over individual lives, they should not be exempted from constitutional rights and responsibilities; in particular, he believed they should guarantee due process (Miller 1978: 189). Miller believed that the time had come to treat firms as private31 political powers, and that it was legitimate to impose constitutional demands on them.32

However, as the preceding subsections have shown, a firm is not just a nexus of contracts or the private property of its shareholders. This is an institution in its own right. As Chassagnon argues, if an institution is a

31 Miller meant that they had internal political power that was distinct from “public” administrative agencies.
32 Robé's work on the constitutionalization of the firm in the context of the world-system sustains and extends this line of thinking (2011, 2012b) (Robé, Lyon-Caen, Vernac 2016).
place in which power relationships perversely play at all levels, then it is all the more necessary to the establishment of a political theory of the firm to identify concepts and terms that will help to account for the way power is exercised in the firm. The fact that firms have become increasingly networked and fissured makes it more necessary than ever to consider them in terms of the power they deploy and exert; such considerations help to re-inject the issue of responsibility into public conversation about them. In this context, Chassagnon underscores the arguments deployed in the preceding sections, writing (2014: 263), “the boundaries of the firm are no longer defined by property rights and formal contracts, but instead by power relationships (Câniels and Roelveld, 2009; Chassagnon 2011b; Chassagnon 2011b).” Chassagnon (2010, 2014) suggests two further distinctions which are helpful in establishing an accurate description the contemporary firm. First, he calls attention to the difference between intra- and inter-firm relationships, and second, between de jure and de facto powers. De jure powers are the formal powers conferred by the corporation to agents so that they can sign contracts, or to its officers so that they can exercise authority over workers. De jure powers are always exercised in the context of intra-firm relationships. Chassagnon asserts that the origins of power are different within and between firms. Intra-firm governance rests on formal and informal mechanisms that are linked with authority and de jure power. However, at the inter-firm level, there are no employment contracts that regulate the subordinate relationship between order taker and order maker. Power no longer coexists with authority. In an employment relationship, the transfer of power is understood by its legal definition, whereas in an inter-firm relationship, it is economic dependence that is at the origin of this power. Similarly, de jure power that results from the ownership of assets is not a characteristic of inter-firm governance. Power does not work in the same way within and between firms. Only de facto power is a source of coordination in the network-firm (Chassagnon 2011b) (Chassagnon 2014: 263).

De facto power mechanisms, as Chassagnon calls them, have been described by Weil as “sophisticated systems [that] establish standards, monitor performance, and reward or punish compliance or noncompliance. It is clear that lead organizations do not lack the capacity to monitor and oversee behavior or creativity to find different organizational forms to implement improved standards, nor do they lack the technologies and systems to make monitoring of the tiers of businesses surrounding them” (2014: 263). As Chassagnon, Weil, and Cohen all show, it is impossible not to observe power relationships within and between firms.

Incompleteness and Goal Setting: The Reconstructive Identification of the Firm, Its Investors, and Their Specific Interests

In his critical study of the economic theory of the firm, Rebérioux points out that, in spite of its initial normative assumptions that a firm exists exclusively to serve its shareholders, this school of thought is fated to evolve from a contractual and shareholders-based understanding of the firm to what he calls a “partner-based” (partenariale, in French) understanding of the firm as an association to pursue a common goal (2003: 98). Exposing what might be called the substratum of the cooperative nature of production, without which no firm may hope to be productive, Rebérioux describes the firm as a process of learning and knowledge building. In so doing he aligns himself with the work of institutionalist economists such as Favreau (1994, 1996, 1998) and Lester and Piore (2004), who see the firm as a context for cognition and situated action, in which defining a common goal is a central problem that is never definitively resolved. Rebérioux concludes his analysis of the limits of transactional cost theory with the observation that “the political structure of the firm is less a response to a contractual problem than it is a response to a problem of defining collective identity” (2003: 100). Building on previous work by Sabel and Rebérioux, we suggest that the firm be understood as a learning process that deploys itself in the context of contested power relations, partially organized through the legal vehicle of one or more corporations, which must constantly work to define and redefine its own common goals. We suggest taking this as the descriptive definition for the firm as a political entity.

This returns us to James March’s pathbreaking 1962 article, in which he described the firm as a “political coalition.” The firm, to him, was a conflict (or conflict resolution) system whose executive was a “political broker.” March claimed that “the composition of the firm is not given; it is negotiated. The goals of the firm are not given; they are bargained” (March 1962: 672). March built on the pioneering work of Commons, which showed that the economy is defined by the tensions created by the collective actions and conflicts of its actors, and by the transactions that these generate. In line with this, institutionalist economists have continued to point to the incompleteness of labor contracts. As a result, some have argued that the firm, as is the industry in which it operates, is a site of
political conflict, and must therefore be regulated to some degree by an industrial relations system (Dunlop 1993).

The different actors that make up the firm constantly redefine the purpose of its existence. By investing in the firm, in other words, these actors basically bring the firm to life. Here again, we identify two broad categories of investor who make the firm, those who invest their capital and those who invest their labor or their person. Acknowledging that these two investments are fundamentally different brings us back to the observations made in the substantive account of the firm developed earlier in this book. As institutionalist economists have observed, those who invest capital are not involved on a daily basis in the firm, fostering an instrumental attitude toward their investment. By this logic, those who invest their personal presence in the firm will develop an attitude to the firm that is much more shaped by expressive rationality. Since, as has been observed, it is these groups of actors' definition of the firm's goals that makes the firm, both of their specific interests must be taken into consideration for the firm to grow. This view of the firm as a process whose goals are defined by its actors has been broadened by "stakeholders" approaches to the firm, which has inspired the literature on Corporate Social Responsibility. Whether a broad version of inclusion is retained to define the firm, or whether it is one of the narrower ones discussed earlier, it is clear that a rigorous and comprehensive understanding of a firm's actors—its polity—cannot be accurately limited to the shareholders bound by the corporation.

We suggest that the firm's polity should be defined as those who are both actively concerned with goal setting, and those who are "affected" by those goals (Gosselies 2012). Building upon Sabel's (2006) analysis, labor investors in the contemporary workplace are involved in search actions in order to innovate, and therefore play a de facto role in goal setting. Only capital investors, however, are officially empowered, via the corporation, to do so. This imbalance affects both categories of actor. As a category, capital investors are more easily identifiable than the labor investors. Indeed, as the firm becomes increasingly networked and fissured upstream and downstream in the supply chain, suppliers, subcontractors, and increasingly, users (such as consumers, and patients), as well as neighbors, might potentially be considered as investing their person in the firm. All of these actors, in other words, are potentially affected by a firm's goals, and therefore have the potential right to participate in goal setting (think, for example, of a user-developer adding a new application to the Apple App Store). In the rest of the text we will consider the most obvious case in this constituency, which is the case of those who invest their person through intensely contributing their labor in the firm—its workers.

The Firm as a Governed Polity, a Political Entity

Building on the foundations of the political theory of the firm previously described helps us to avoid the aporia created by the vast body of literature on corporate social responsibility, which has not yet perceived that the firm has yet to be satisfactorily defined as something different from the corporation, both substantively and descriptively. As Robé has written, "the stakeholder proponents, working on the same false assumption that firms and corporations are the same thing and that firms are owned by shareholders, have a hard time advocating alternative governance mechanisms. Since they do not challenge the shareholders' ownership of the firm, they are placed in the position of asking shareholders to give up some of their ownership rights, or to exercise these rights in 'socially responsible' ways, either by arguing that it will be in their own long-term interests to do so or by appealing to their altruism" (Robé 2017: 58).

The descriptive task of the political theory of the firm is to identify, in a manner adapted and adaptable to the various stages of development of every firm, how the firm as polity is organized, who is concerned with goal setting, and how its power relationships are institutionally structured. Here we will substitute the term polity for political entity. We make this choice because the term "entity" has a long history in corporate law, where it is used to identify the incorporated legal entity of the corporation. In a seminal paper, Berle (1945) pointed out a potential distinction

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34 Obviously, this requires further investigation into what is meant by the term "growth." See (Cassiers 2015). Research into alternatives to GDP as a wealth indicator would be useful in considering the firm; for example, see in this light the idea of a "triple bottom line" for a sustainable firm according to developments in the Corporate Social Responsibility literature.

35 This term, originally used as the title for Plato's Republic, has no direct equivalent in English. It refers to the city-state as well as to the body of citizens who have an active role in it. In the Leviathan, Hobbes uses the term to refer to the state or to the subordinate civil authorities such as provinces, cities, or municipalities as well as to the people living under these jurisdictions. Historically, then, the term connotes a deep connection to a geographic area, and therefore requires rethinking in the context of the political theory of the firm, since contemporary firms challenge this connection. This is an additional reason why substituting political entity for polity is justified.
The reconstructive work necessary to identify the contours and content of firms as political entities will provide an evaluative tool capable of asking critical questions about firm government and accountability. The institutional design for capital investors in firms is highly developed; for this reason, the political theory of the firm will take the bodies established by corporate law seriously; as the vehicle of representation of capital investors. The government of the firm must, however, necessarily include the firm’s other constituency, its labor investors, in the goal-setting process, and serve their interests, as well.

A study of the function of the corporation as established by law speaks to a reality political philosopher Bernard Manin (1995) has described in vivid terms. He highlights the “distance” that does and ought to exist between a representative government and the citizens. Robé clarifies with regard to the corporation that “the board’s governance powers are determined by law and corporate charters and are neither delegated by, nor derived from, the shareholders.... The directors of the corporation have to make their decisions in the best interests of the corporation, with a duty of loyalty and a duty of care.... the board of directors is a decision-making body of the corporation, as a separate juridical person.... in the management of the corporation, both officers and directors have fiduciary duties towards both the corporation and the shareholders because the shareholders’ interests are affected by the power they exercise” (Robé 2011: 30–32). The existing literature on the director’s primacy debate, as well as the literature on shareholder democracy might take on new meaning in the context of the political theory of the firm. Read in this light, it should help to anticipate the institutional structure of a government of the firm as a polity and help to describe the contours of a firm in which labor investors were also granted the right to a say in their government.

The Firm as a Political Actor, Externally

As a first step in the development of the political theory of the firm, we have chosen to focus our attention on the inner life of the firm because extensive work remains to be done on the internal life of the firm as a political entity. Yet, its external life is just as important: externally, the firm is a critical political actor (George 2015). It has a strong presence in the traditional political arena, intervening with and at times diminishing the sovereignty of democratic states. Law and globalization studies have followed the development of the transnational firm in the era of global capital mobility, showing the extent to which firms have the potential
to extend their reach across territories and resemble sovereign entities in their own right (Sassen 2006, 2014). Consequently, Robé, studying the activities of transnational firms and the conditions under which they conduct them argues that constitutionalizing the power of firms is just as necessary to the well-being of our societies as the constitutionalization of the power of nations (Robé 2011, 2012; Robé, Lyon-Caen, Vernac 2015). The next part of this book will examine precisely this challenge.

The problem of business interests’ influence over the state has long been identified and explored extensively by scholars working from the classical Marxist perspective (Miliband 1969). It has received renewed attention as globalization spreads. Fligstein describes how corporations manage to “co-opt political actors” with the goal of “controlling a given market or capturing Congress or regulatory agencies” (Fligstein 2001 12). In recent years, the concept of regulatory capture has been given renewed attention, as it highlights how corporate actors manage “to stunt competition and innovation, as firms able to capture their regulators effectively wield the regulatory power of the state and can use it as a weapon to block the entry or success of other firms. Some critics even blame regulatory capture for the outbreak of financial crises and other manmade disasters” (Carpenter and Moss 2013: 1). Distinguishing between an internal dimension and an external one is no easy task, however, particularly in analytical terms – nor should it be. Fannion has examined “the behavior of firms [which] have a political dimension” (Fannion 2006: 38), showing how, because firms are entirely embedded in their environment, their internal challenges have external consequences, and vice versa. Fannion argues that the “governance mechanisms” on which firms rely to function are shaped by state actors, and influence them in return, in a never-ending exchange.

The study of this interplay, and of the external impact of the firm as a political actor, requires as much effort as that of its internal life. Important research on the issue already exists (Kirsch 2014, Urban 2014) and it is beyond the scope of this book, which focuses on the internal life of the firm. Only when both dimensions, internal and external, have been explored will it be possible to build a fully functional political theory of the firm, making it possible to better explain and understand our contemporary reality, and the challenges faced by the projet of a democratic society in the global age.

The previous sections have offered a descriptive account of the firm in an attempt to show the tremendous advantage of moving from a simplistic economic theory of the firm, which equates the firm and corporation – the view we identify as practicing Reductio ad Corporationem – to an account of the firm that seeks to comprehend its complex reality. This book discusses firms mature enough and large enough to be run by an executive committee composed of a group of professional officers hired by the corporation and given the authority to mobilize that corporation's assets to fund the endeavor pursued by the firm. The corporation is the legal entity created to structure the input of capital investors. Yet, the firm is a much larger reality, a fundamentally political entity, one that has not yet been properly understood and has yet to be addressed as such by the law. This is the task we assign to the political theory of the firm. This perspective understands the firm substantively, not as the locus of expansion of pure instrumental rationality, but as a governed polity, institutionally structured, combining instrumental with expressive rationality, and animated by its main carriers, labor and capital investors who both engage in goal setting and are affected in return. These two bodies of investors both take multiple kinds of risks and have specific interests in the endeavor that they pursue together through the firm. The descriptive challenge we face is to fully apprehend the political entity that is the firm, to look past the thick shadows cast by the corporation over the progress of the firm itself, and over the success and prosperity of democracy as a whole. Having laid the foundations of a substantive and a descriptive account of the firm, we may now turn to the third, normative challenge this political theory of the firm raises in describing the firm for what it is when considered using the analytical categories of political analysis and theory: a political entity in a specific historical context, our capitalist democracies, in a global age still committed to the democratic ideal.

58 Already in 1990, Collins (1990: 744) advanced the idea that, whatever its specific form, the network firm should be seen as a “united group for the purpose of the ascription of legal responsibility.” By the same token, Weil writes that we must find ways to “reestablish that lead companies have some shared responsibility for the condition arising in the network of workplaces they influence through their other activities” (2014: 288).
I shall not be surprised if the experts on corporation law should at first regard my suggestions as wildly impracticable…

This, however, is no reason for not seriously examining these possibilities, even if it were only in order to free ourselves from the belief that the developments which have taken place were inevitable.

It is probable that on the [idea] I want to consider the existing arrangements were adopted, not by deliberate choice and in awareness of the consequences, but because the alternatives were never seriously considered.

Friedrich A. Hayek (1960: 110)

PART III

LOOKING TO THE FUTURE

From Political Bicameralism to Economic Bicameralism

Part III of this book will address the normative challenge raised by Parts I and II. The critical history of capitalist democracies given in Part I showed that the government of the firm is to be considered in light of the steady emancipation of work from the domestic regime of the private sphere, and its expansion into the public sphere of our democratic societies, and, within this, its transition from being governed despotically to being governed democratically. This process of transition continues today, as described in Part II, which showed that, as the economy has become network- and service-based, the firm, behind the legal shadow of the corporation now obscuring it, is more accurately accounted for as a political entity, moved by specific actors, capital investors and labor investors, and driven by two distinct rationalities, the instrumental and the expressive.

Part III will look to the future, and specifically, to the issue of how the capitalist firm might continue to evolve in the public sphere with a form and structure that reflect our society's commitment to democracy. To this end we will examine the idea of bicameral government, an institutional design mechanism that has played a key role in transitional moments of history on the long road to free and democratic societies, this process of transition being still underway.

We have seen how the institutional design that governs capitalist firms mistaken as corporations rests on a single, basic misconception – that firms are driven by instrumental rationality alone. Over the past two centuries, the labor movement has helped to make fundamental changes to work and to firms, through concessions to the expressive rationality of workers (think of policies that address basic integrity, employee health, decent wages and working time, recognition and appreciation,
motivation, etc.). All the same, and despite in some more privileged settings and countries the establishment of works councils and other representative bodies responsible for informing employees and negotiating on their behalf, there has been no change to the basic understanding of the firm as serving the corporation – nor were these bodies intended for that purpose. Labor is still seen by most as a production factor among others, and the relationship between labor investors and their labor continues to be thought of in instrumental terms: employees work for pay. Even the labor movement all too often functions from this point of view, framing investment in firms in instrumentalist terms. Actions are pursued for ends other than themselves, in other words: capital is invested in order to earn dividends; labor is invested in order to earn wages.

All contemporary capitalist firms are governed nondemocratically. Their government might be described as “capitalo-crat,” in that capital investors hold power over the firm via the corporation. Still, since firms are perceived as operating on the basis of instrumental rationality alone, it appears logical and legitimate that they be governed by their capital investors, as the latter will best represent and guarantee that instrumental rationality. From this perspective, it is only reasonable that the polity include the shareholders of the corporation alone: they alone are the legitimate bearers of instrumental rationality. The firm is their tool for earning profit; its governance is there to ensure the tool serves that purpose as efficiently as possible – what could there be to debate?

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1 Except for some efforts worth mentioning through which a CEO or principle shareholders behave as enlightened despots and decide to “free” their employees, a “liberation process” that hands decision-making power to employees. While power over managerial decisions (those regarding the means of production) may become democratized, this does not mean that these powers extend to issues of government (those regarding ends). For a crucial analytical distinction between participating in management and participating in government, see Part I. For detailed existing examples, see Semler, Carney and Geta, and Laloux. Typically, in these experiments, enlightened despots see an increase in workers’ satisfaction and productivity. But these corporate despots do not go on to fully share the government and decision-making power over issues such as profit-sharing, which remain the prerogatives of the board of the corporation. These cases prove the ultimate power of “the spirit of capitalism,” which is able to absorb criticism and turn it to its advantage (see Max Weber’s seminal work, or more recently Bokanski and Chiappello 2006). In this current phase, it would seem that employees’ political critiques (Ferreras 2007) – that is, their intuition of democratic justice, which leads them to expect to participate in decisions that concern them – has been taken into consideration, but rarely to the point of including them in goal-setting, or sharing power over the firm as a whole with them.

2 As monarchical claims to rule for the good of all. In Politics (III,7), Aristotle articulated this difference between monarchy and tyranny: he defined monarchy as the reign of a single person for the good of the collective, and tyranny as a corrupt form of monarchy, in which a single person reigns for his good alone. A classic justification for capital owners’ monopoly over the government of the firm is indeed the utility of monarchy in its just form. See Aristotle (350BC), Turchetti (2008).
investors, as well. Just as most modern democratic governments possess governing bodies that check and balance the different interests at work in society, so must firm governments be endowed with a form of legislature that represents its different constitutive interests in decisions concerning the life of the firm, so that each body is forced to cooperate with the other to form a single legislative power, the firm’s “parliament,” composed of two “chambers.”

The History of Rome. The Sacred Mount Secession or Secessio Plebis (BC 494) Book II. Chapter 32

Thereupon the senators became alarmed, fearing that if the army should be disbanded there would again be secret gatherings and conspiracies. This brought the revolt to a head. Without orders from the consul [the legions] withdrew to the Sacred Mount, which is situated across the river Anio, three miles from the City. This version of the story is more general than that given by Piso, namely that the Aventine was the place of their secession. There, without any leader, they fortified their camp with stockade and trench, and continued quietly, taking nothing but what they required for their subsistence, for several days, neither receiving provocation nor giving any.

There was a great panic in the city, and mutual apprehension caused the suspension of all activities. The plebeians, having been abandoned by their friends, feared violence at the hands of the senators; the senators feared the plebeians who were left behind in Rome, being uncertain whether they had rather they stayed or went. Besides, how long would the seceding multitude continue peaceable? What would happen next if some foreign war should break out in the interim? Assuredly no hope was left save in harmony amongst the citizens, and this they concluded they must restore to the state by fair means or foul. They therefore decided to send as an ambassador to the commons Agrippa Menenius, an eloquent man and dear to the plebeians as being one of themselves by birth.

On being admitted to the camp he is said merely to have related the following apologue, in the quaint and uncouth style of that age: In the days when man’s members did not all agree amongst themselves, as is now the case, but had each its own ideas and a voice of its own, the other parts thought it unfair that they should have the worry and the trouble and the labour of providing everything for the belly, while the belly remained quiet in their midst with nothing to do but to enjoy the good things which they bestowed upon it; they therefore conspired together that the hands should carry no food to the mouth, nor the mouth accept anything that was given it, nor the teeth grind up what they received. While they sought in this angry spirit to starve the belly into submission, the members themselves and the whole body were reduced to the utmost weakness. Hence it had become clear that even the belly had no idle task to perform, and was no more nourished than it nourished the rest, by giving out to all parts of the body that by which we live and thrive, when it has been divided equally amongst the veins and is enriched with digested food — that is, the blood. Drawing a parallel from this to show how like was the internal dissension of the bodily members to the anger of the plebs against the Fathers [the Senators], he prevailed upon the minds of his hearers.
The Right to Name Two Tribunes of the Plebs (BC 493) Book II.
Chapter 33

Steps were then taken towards harmony, and a compromise was effected on these terms: the plebeians were to have magistrates of their own, who should be inviolable, and in them should lie the right to aid the people against the consuls, nor should any senator be permitted to take this magistracy. And so they chose two "tribunes of the plebs." "

The Sharing of the Conquered Territory among the Plebs (BC 479)
Book II. Chapter 48

On taking office his first concern was neither war nor the raising of troops nor anything else, save that the prospect of harmony which had been already partly realized should ripen at the earliest possible moment into a good understanding between the patricians and the plebeians. He therefore proposed at the outset of his term that before one of the tribunes should rise up and advocate a land-law, the Fathers [the Senators] themselves should anticipate him by making it their own affair and bestowing the conquered territory upon the plebeians with the utmost impartiality; for it was right that they should possess it by whose blood and toil it had been won.

Livy

Bicameral Moments

A Pivotal Institutional Innovation for Governments in Democratic Transition

ANCIENT ORIGINS: ROME

The history of the transition from despotism to democracy, and particularly the history of the bicameral legislative design that has emerged at revolutionary moments, offers a rich anchor point for thinking about how the institutional structure of firms might evolve. Because the duality visible in modern bicameralism can be seen as a constant in Western political history, it is helpful to discuss the invention of modern bicameralism from the perspective of its origins. Indeed, I posit that this duality has been driving the advance of political freedom in the West since Roman times.

In Ancient Rome, citizens were divided into two categories: patricians and plebeians (Ellul 1961). Patricians owned the vast majority of land and slaves and spent their time pursuing noble occupations (otium, or leisure) such as politics and the art of war. The plebeians comprised the inferior social strata (excluding slaves), who worked as manual laborers or tradesmen, or lived marginal lives of delinquency and poverty. They did not participate in political life. The Senate, Rome's consultative body, was elected by patricians alone, and legislative and executive functions were exercised by two "magistrates," or consuls, chosen from among the patrician class. This continued until the beginning of the fifth century BCE, when the people rebelled in an event known as the Secession Plebis. Livy's account describes how members of the plebeian class came together in a body to confront the patricians. The outcome of this conflict was an historic political compromise, through which the equal rights of plebeians were slowly recognized. One immediate result of this confrontation was the creation of a Tribune of the Plebs, to which plebeians had
the right to name two magistrates. These magistrates were given what was known as "negative sovereignty" (Ellul 1963: 272), meaning that while they exercised no active power, they had both preventive (prohibitio) and a posteriori (intercessio) veto rights, as Michel Humbert explains (2007: 303). As Jacques Ellul explains, Rome's two consuls thenceforth needed the approval of the plebian magistrates to govern, since the latter could block any of their decisions. Consuls maintained exclusive legislative and executive power, but their "negative sovereignty" gave the Tribunes auxilium plebis, a voice of opposition that allowed them to block consular decisions they considered "harmful to the plebs" (Ellul id.).

The episode Livy describes bears testament to how old this political duality really is. Since his time, it has become a constant in political relations. Marx identified and described it as "class conflict." Seen positively or negatively, it undeniably is embedded in the social structure generated by capitalism: from slaveholding to feudalism to capitalism, the history of the Western world has turned on the profits earned by the few exploiting the many, with each era characterized by the dominance of a given social group or class over another. Whatever the utility of the concept of class "conflict," may be, it masks a simpler and more fundamental aspect of political structures and their evolution. Leaving the notion of conflict aside, society is always structured around fundamental cleavages (Lipset and Rokkan, 1967), meaning that it is always composed of at least two encompassing interest groups. It is their recognition of one another, whatever the differences in their status, that makes social cooperation possible. This recognition may occur through conflict, but conflict is not necessary for it to occur. The organicist analogy used by Menenius Agrippa in Livy's account demonstrates the social solidarity that can emerge from recognizing this cleavage. Ancient Roman society's intuition that its two constituent parts were interdependent both necessitated and justified the compromise they ultimately reached: each group fulfilled a different role; each one was necessary to the other. The human body has been used as an analogy, as well: the stomach requires hands, hands require teeth, and so on. This primitive functionalism, which grew from the idea of reciprocity, gave rise to an impressively powerful strategy, which expanded through the Middle Ages (Gierke 1900, Coker 1910.

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1 Nachi and de Nanteuil (2005) study compromise as particularly well adapted to the government of complex societies. They refer to this quote from Aristotle's Politics: "in the realm of measurement, compromise lies at the middle. In the realm of virtue, it is the summit."

2 It is Michel Serres, a great reader of Livy, who pointed out to me the roots of bicameralism in this formative moment in Rome's history.
MODERN REASONS FOR BICAMERAL LEGISLATURE

The Great Modern Example: The British Compromise

Although the roots of bicameralism stretch back to ancient Rome, it was not until the thirteenth century CE that the ancestor of the modern-day bicameral legislature was developed in Britain. As British historians remind us in their account of the origins of political bicameralism in England, this innovation came about when the King of England decided it would be prudent to consult the land-owning aristocracy and the heads of the Church when making major decisions; eventually, these consultations came to include representatives of towns and counties. Rather than risk losing power, the king chose to share it.

The House of Commons met for the first time in 1377, independently of what would become the House of Lords. England's two-house parliament expresses a dualist ontology of society with landowners on one side and the people (or at least their representatives) on the other. In its early years, the parliament's power was extremely limited and subordinate to the king's, but the Magna Carta, signed in 1215, established the rule of taxation by consent, a prerogative that parliament would later use as leverage to strengthen its position with regard to the king. When the Stuarts attempted to raise taxes without parliament's consent in the seventeenth century, revolution broke out and Cromwell took power.

Although the monarchy was restored with James II, the political crisis was not fully resolved until William of Orange acceded to the throne in 1689, following the Glorious Revolution. The bicameral legislature only became an established in the eighteenth century, after years of unrest, civil war, regicide, and the temporary abolition of both the monarchy and the House of Lords. The case of England, reminds us that, as in the Rome of antiquity, the establishment of a bicameral legislature represents a compromise struck to ensure and maintain social cohesion. In one way or another, such compromise is always reached from a context of civil unrest, deep social tensions, violence, and even war, for it helps transition societies toward more democratized forms of government.

Modern legal scholars and political theorists have justified the expediency of the bicameral legislature in different ways, which may be divided into three main categories. All three of these types of justification have been produced at various points in history to support the establishment of a government based on bicameral legislative power.

Condition of Legitimate Government

William of Orange, at the turn of the eighteenth century, instituted the principle of separation of powers when he acceded to the throne, taking the English Revolution's principle of democratic power to its logical conclusion and placing legislative power in the hands of parliament, and retaining executive powers for the throne. That the English Revolution enshrined the fundamental distinction between its House of Commons, which was recognized as representing the people, and the House of Lords, which "represented property" (Shell 2001: 9) is the lynchpin of our historical argument: both together were considered to be the legitimate source of legislative power, and both were considered necessary to the proper functioning of British society. Britain resolved its social conflict by recognizing that it was composed of two social groups with differing interests; it resolved its democratic revolution with class compromise. Britain accepted the existence of classes with conflicting constituencies as reality, and rather than trying to suppress or efface the conflict, obliged the two conflicting classes to cooperate with each other.

This solution laid the foundations for the balance of powers, a doctrine that would gather influence as time went on. At the time of the

3 We rely on Derek Hirst (1975), Donald Shell (2001).
4 Article 12 of the Magna Carta, signed on June 25, 1215, by John Lackland, King of England. "No scutage or aid shall be imposed in our kingdom except by the common council of our kingdom" (Magna Carta, 1215).
5 The United Kingdom and the United States use different terms to describe the same idea: in general, the English refer to the theory of mixed government and Americans to checks and balances.
Great Reform Act of 1832, there was no interest in doing away with the House of Lords in the name of advancing democracy; rather “of greater concern than any desire to democratize the system was the perceived need to prevent the House of Lords from losing the independence essential for it to fulfill the balancing role demanded of it by the classical theory of the constitution” (Shell 2001: 9).

Condition of Reasonable Government

The theory of the separation and balance of power attracted America’s founding fathers to bicameral politics, though they did not at first justify bicameralism in those terms; it was adopted in the first instance as a means of federating the states. The fledgling United States implemented bicameralism for reasons different from those in Britain, however: the former colony employed it as a path to compromise between state and federal interests. The Senate was given the role of federating the states in an American union: each state, no matter its population, elected two senators to this “chamber.” The House of Representatives was organized based on the principle of proportional representation. The number of state representatives elected to this chamber was determined by a state’s population. The two together composed the Congress, a bicameral representative body with a Senate that recognizes states as individual entities with equal rights and powers, and a House of Representatives that federates the population as a whole, across those states.6

As Gordon Wood points out, the separation and balance of powers was only given as a justification for bicameralism after the Philadelphia Constitutional Convention, in response to criticism from anti-federalists, who were opposed to the idea of a House of Representatives (Wood 1969: 552). In the case of the United States, the true justification for bicameralism was in large part an issue of the balance of powers (Dehousse 1990), “and, more specifically… the Madisonian idea of the necessity of a protection against the risk of factionalism” (Doria 2006: 20). Swift (1996) describes a Senate designed to be an “American House of Lords” made up of a smaller number of members who, instead of a title, could boast “high social and economic status, substantial political autonomy, and sweeping legislative and executive power” (Swift 1996: 47). This, as Giancarlo Doria explains, because the Senate was supposed to be “a bulwark against the excesses of democracy, and particularly of popular transient impressions – as part of that system of check and balances which they were beginning to consider the true essence7 of the new, republican government” (Doria 2006: 24).8

This sort of pacifying virtue also comes through in the second chamber’s function as a bridge, a buffer, or a facilitator in relation to its counterpart or the executive power in the form of president or king, depending on the situation (Shell 2001: 10).

Condition of Intelligent Government

Doria, citing Madison, identifies two ways in which the existence of a senate is crucial to the pursuit of reasonable government: first, senators are independent from the people, thanks to longer terms of office; second, they possess greater wisdom than other elected officials, because they know they are “the true depository of the state’s highest interest” (Doria 2006: 26). Intelligent government is the ultimate justification for bicameral politics: two chambers, working together, exercise power more wisely and make more intelligent decisions than they would working alone. In Mill’s words, it counters “the evil effect produced upon the mind of any holder of power, whether an individual or an assembly, by the consciousness of having only themselves to consult.” (Mill 1867: 385). A second chamber ensures there is a place for mature and reasoned argument in the legislative process; as Shell puts it, it “allow[s] for second thoughts” (2001: 10). This is, in other words, a very basic argument for the epistemic superiority of democratic government (Landemore 2012, 2014; Landemore and Elster 2012).

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6 The Federalist Paper #39 by James Madison: “the House of Representatives will derive its powers from the people of America, and the people will be represented in the same proportion and on the same principle as they are in the legislature of a particular State. So far, the government is national, not federal. The Senate, on the other hand, will derive its powers from the States as political and coequal societies; and these will be represented on the principle of equality in the Senate, as they are now in the existing Congress. So far, the government is federal, not national” (in Doria 2006: 13).

7 Montesquieu is widely cited as the main inspiration for the American federalists’ theory of the balance of powers, but it would seem that the Greek philosopher Polybius deserves at least as much of the credit (Lloyd 1998). See also James Madison, the Federalist Papers, Nos. 51 and 63.

8 Doria also points out that bicameralism was a ready solution for the American founding fathers, since the federated states were already organized into bicameral parliaments. For him, this is further proof that America’s founders were not motivated by the goal of a federal union, but by their desire to achieve a balance of power; indeed, at the state level this was the principle used to justify bicameralism (Doria 2006: 24).
Legislative power exercised by equal chambers that complement, confront, and balance one another is one of political history’s most important inventions. Over the centuries, the institution of the bicameral parliament has been instrumental in shifting power from the hands of a single person (tyranny or monarchy) to a small number of people (oligarchy) to the majority (democracy). Broadly speaking, every state’s transition to democratic (or at least more democratic) government has at least passed through a bicameral phase. It remains highly relevant in political democracy. Certain contemporary commentators have claimed bicameralism is losing its meaning and influence, but the fact remains that more than half of nations today, including all federal countries, are governed by bicameral assemblies. Indeed, constitutional scholar Francis Delpéré described a “fever for bicameralism in the four corners of the world. Today, sixty-eight countries (in other words, half again as many as in 1970) possess a senate” (Delpéré 2004: 5).

Bicameral moments that created two-chamber legislatures have taken place under many different historical circumstances. Yet, they have always been justified based on the three ideas previously reviewed: legislative representation through bicameral politics is identified as a necessary condition for a legitimate government (class compromise or concord among heterogeneous subnational entities), for a reasonable or limited government (balance of power theory) and for intelligent government (rational representation). The latter two justifications are complementary. Their effects are collateral, but also desirable in and of themselves: our common wish to be governed reasonably and intelligently, through legitimate, viable compromises between society’s two constituent bodies, drives bicameral innovation.

The political theory of the firm can serve as an evaluative theory, as well. As we have reviewed, the firm is a political entity central to our global capitalist era and to the future of capitalist democracies. If we do not treat it as such, as discussed in the Introduction with the help of Polanyi, we put the future of the democratic project itself at risk. The section that follows continues this line of argument, and shows why and how the bicameral approach should be extended to firms.

8

Analogy

The Executive of the Firm Answering to a Two-Chamber Parliament

JUSTIFICATION

Pre-democratic politics were criticized using exactly the same arguments that can now be made against the current manner in which corporate firms are governed: the way power is deployed in firms today is not legitimate, not reasonable, and not intelligent. As Part II explains, the firm should be understood as a political entity whose existence relies on the combining of instrumental and expressive rationality – and on the continued collaboration of its capital investors and its labor investors. We have suggested that these be acknowledged as the firm’s two constituent bodies. As the history of capitalism shows, capital investors have from the beginning held political rights in the form of the power to decide upon the future of their joint enterprise, organized through the corporation, which then becomes a legal cloth covering up the firm. The rights of labor investors have not been so broadly recognized, nor so well organized. Part I of this book reviewed the critical history of power in the firm, and showed how labor has shifted from a form of managed subordination toward a position of knowledge contribution that would justify a claim to a role in the government of the firm. As yet, labor investors have not been recognized as full partners in the firm’s government: the system of power relations governing capitalist firms currently in place recognizes only the need to represent the instrumental rationality of capital investors, and their interests, via the corporation. The expressive rationality that workers invest in the workplace has not yet been acknowledged as an equally important factor in the life and success of firms. As a result, the right of a firm’s employees to a voice in its government in order to ensure that their rationality is accounted for has not been recognized.
system of government it into question, and to dig deeper to find better solutions.

As we saw in Part II of this book, if we are to fully apprehend the firm as it actually is, we must acknowledge that it is an entity upon which an ideological misconception has been projected: the firm, as we have seen, is not actually driven byinstrumental rationality alone. To restrict our understanding of the firm to its economic aspects, defined by its balance sheet and bottom line, would be as limited as seeing the state as a mere economic structure designed to balance budgets, collect taxes, and pay benefits. While we all recognize that conceptions of justice are embodied in the decisions taken by the state—how do we want to recognize and reward each other? What do we owe each other as fellow citizens? What do we want to secure collectively?—we are still living in the shadow of both liberal and Marxist theories that do not recognize the questions of justice that inform the firm as an entity. Yet, when considered less from an abstract or ideological perspective, and more from a more empirically grounded one, it must be acknowledged that the firm is founded on—and its success made possible by—the encounter between two rationalities, the one instrumental, the other expressive and containing conceptions of justice; in an era of global capitalism, the one primarily held by capital investors, the other by labor investors. This is all the more true if we choose to measure success and efficiency not only in terms of financial productivity, but also in terms of "social performance"—significantly, employees’ well-being, labor relations that foster collaboration and innovation, or respect for the environment. In a service economy with high human added-value, in our innovation- and knowledge-based economy, where even manual labor requires more training and commitment than ever before, continuing to ignore the expressive rationality driving labor

1 Examining the issue of the extension of democracy into the economic sphere, Cohen (1989) identified the "parallel case argument" as the most convincing: "since enterprises comprise forms of cooperation for common benefit, and workers have the capacity to assess the rules that regulate workplace cooperation, they have a right to determine those rules through their own deliberation. The deliberative ideal of justification carries over from the state to firms" (Cohen 1989: 46). This analogy has been fiercely fought, however. Landemore and Ferreras (2016) tested its robustness by considering 6 major objections to it: (1) the objection from a difference in ends, (2) the objection from shareholders’ property rights, (3) the objection from workers’ consent, (4) the objection from workers’ exit opportunities, (5) the objection from workers’ lack of expertise, and (6) the objection from the fragility of firms. All of these objections were found invalid, and the authors concluded from this that there is a crucial need for further descriptive work accounting for what a firm is—one of the goals behind the present book.
investors in firms risks damaging not only our democracies, but the productivity of firms, and the economy as a whole. If this damage is to be avoided, it must be acknowledged that the existence and the success of a capitalist firm relies on two rationalities, held by the firm’s two constituent bodies, and that these two rationalities are incommensurable, cannot replace one another, and must collaborate, cooperate, and compromise.

Extending the tradition of bicameral innovation to the economic realm would inscribe the firm as an institution in its own right in the history of democratization, and complete the historic shift that is the emancipation of work from the private sphere (see Part I). It is fruitful, to this end, to examine what it might mean in concrete terms to grant labor investors the same right to representation in the government of a firm’s affairs as that which has long been accorded to capital investors via the corporation. Bearing in mind the political compromises of historic bicameral moments, from Rome in the fifth century BCE to the English monarchy in the fourteenth century to the American founding fathers in the eighteenth century, as well as myriad European and non-European nations in the nineteenth and twentieth centuries, this section will consider the proposal of an appropriate government for the firm, which means, in practical terms, that labor investors name representatives to a chamber of their own. These representatives would sit in a Labor Investors’ Chamber of Representatives, alongside the Chamber of Capital Owners (currently known as the board of directors, supervisory board, etc.), which would be renamed to reflect its constituents: the Capital Investors’ Chamber of Representatives. Such a structure, we argue, would allow us to say that power in the capitalist firm is exercised legitimately, reasonably, and intelligently, as it would hold its directors, or executive board members, responsible before a single parliament composed of two chambers, rather than before a “chamber” of capital investors alone, as is currently the case in the corporate firm.

RELATIONS BETWEEN THE TWO CHAMBERS

As we have seen earlier, a bicameral legislature is characterized by “the idea of mutual and reciprocal surveillance that...itself is built on the famous dialectical combination of the powers of action and restraint, or, to paraphrase Montesquieu, the faculties of deciding and preventing” (Pierre-Caps 2004: 358–359). This equilibrium informs the way the two chambers relate to one another, as well as their relationship as a parliament to the executive branch, which constitutes the government in the strictest sense of that word.

Bicameralism offers a number of different alternatives in the determination of the role assigned to any given parliament. To use Philip Norton’s terminology (1984), parliamentary models all fall somewhere along a spectrum, which ranges from “policy-influencing” on one end to “policy-making” on the other. Here, Norton is elaborating on Nelson Polsby’s classic analysis (1975), which contrasted parliaments that functioned as “arenas” with those functioning as “policy transformers.” According to Norton (1984: 20), the weak legislature of the British Parliament falls on one end of this spectrum – parliament as arena. At the other end is the U.S. Congress, whose broad parliamentary mandate allows it to draft and propose laws – parliament as policy transformer. Most countries, including most in Continental Europe, lie somewhere between the two extremes. Norton further nuanced his idea (2010) with reference to Jean Blondel’s concept of “legislative viscosity” (1970), which measures a legislature’s influence on the legislation process. Legislative viscosity describes the extent to which a legislature is able to resist the advance of a law drafted by a government, by slowing it or even blocking it (through veto power), and to force the government to negotiate, change the text of the draft law, and accept proposed amendments. This viscosity may go so far as to allow the legislature to propose its own laws. If a legislature holds all these powers it is considered to be highly “viscous.” Depending on how bicameralism is applied in the construction of a parliament, the executive branch may have the upper hand in government, or it may find itself in competition with the legislature.

Let us imagine a classic structure modeled on parliamentary democracy applied to a firm: in a bicameral firm, its top management, or executive committee, would constitute the executive branch of government. Members of the executive branch would be appointed by and held accountable to the firm’s two chambers, who would hold seats won through legislative elections. The executive branch would have to be approved by a majority in both chambers – that is, 50% + 1 vote in each. More sophisticated governmental arrangements do exist, in which the legislature is composed

2 In the context of bicameral representation, the term “parliament” is used to designate a two-chamber, legislative branch of government. Practically speaking, different nations have different traditions and different terms. Thus, we speak of the U.S. Senate and House of Representatives as “Congress,” while the French Senate and National Assembly are known as “Parlement or Congrès du Parlement,” the House of Lords and Commons of the UK known simply as “Parliament,” etc.
through uncoordinated election cycles that yield different (asymmetric) majorities in the two chambers, with the executive branch appointed at still other moments in the election cycle. This is notably the case in the United States, where the framers of the Constitution intentionally sought to secure powerful checks and balances of power, which were created using the divided and competing influences of the legislative, the executive, and the judicial branches of government. The theoretical scheme followed here, in which the executive is appointed by the legislature, is simpler, a more classic and less extreme version that does not reflect the internal division of American bicameralism.5

As is the case in our bicameral democracies, the first act of the firm government upon taking office would be to issue a policy statement in the form of a management plan. This would indicate its main goals for the firm and the initiatives it proposes to pursue. Based on this, the executive government would (or would not) obtain the approval of the firm’s two chambers through a majority vote (50% + 1) in both the Capital Investors’ Chamber of Representatives in the Labor Investors’ Chamber of Representatives.

Of course, the viscosity of firm parliaments is open for debate and reflection: we might imagine high viscosity on all issues, or a viscosity that varies depending on the issue at hand. From the point of view of the overall efficiency of institutional design, it seems reasonable to choose a structure in which the firm’s executive branch had more control over the legislative agenda, leaving its parliament the role of “arena” in which laws are passed or vetoed, without necessarily being proposed.

The essential—and sought-after—effect of Economic Bicameralism is to allow all of the firm’s investors, through the representatives they elected to the Capital and Labor Investors’ Chambers, to participate in decisions about all issues affecting the life of the firm, without exception. In a bicameral governance structure, the firm’s main decisions, particularly all its strategic decisions, would be subject to approval by its two constituent bodies. In concrete terms, what is currently known as the

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4 In the context of publicly traded companies, an employee’s investment is certainly much less “liquid” than that of shareholders. The sociology of work has identified other forms of investment: for example, educational investments through which employees develop skills that, though sought out by certain firms, are not necessarily transferable, and therefore valuable, in other parts of the labor market. On the other hand, although exceptional cases may exist, there is no grounds for believing that capital investors would have – by nature, culture, or reflex – any greater loyalty to a firm than its employees would, or would desire its continued existence or prosperity more strongly.

5 Incidentally, this idea also offers the beginnings of a response to the critique that began with reactions to the work of Berle and Means (1932) deploring shareholders’ limited influence on corporate decision making, since corporate law sets limits on the scope of their intervention in the corporation and distances them from the real power held by management, which, in concrete terms actually governs the firm. For a contemporary reformulation of this issue, see Bebchuk (2005).

6 To use Lijphart’s system for classifying political systems (1999), the Economic Bicameralism proposed here is a form of “strong” bicameralism (as opposed to weak or insignificant systems), in the sense that it is both “incongruent” (different electoral bodies leading to diverging political compositions) and “symmetrical” (identical powers granted to both chambers).
complementary, and incommensurable rationalities that value two different types of interests, the one instrumental, the other expressive. Bicameralism offers an alternative to adversarial or confrontational relations between the two interest groups by providing a structure in which cooperation can take place. The existence of a power structure considered just and legitimate by all, in the form of two chambers, requires each body to recognize the other as a partner and to take their interests into consideration. Bicameralism, by definition, recognizes the existence of different interests, and creates balance between them by offering the means to ensure they are respected. In a bicameral firm, each party’s interests would be harnessed to build compromises beneficial to both, since both have it in their best interests, albeit for different reasons, to ensure that the firm functions optimally. Put more simply, conflict leading to deadlock is unlikely because both parties would suffer so greatly from the diminished productivity that would ensue; capital investors would lose profit in the form of potential earnings and dividends, while labor investors would face lower salaries or job losses. The equilibrium struck by Economic Bicameralism makes it possible to transform the status quo, marked as it is by generally inarticulate, often tense or even conflictual relations, into “quality conflict.” It offers a means of avoiding the dead ends and the zero-sum games so common in contemporary firms, where one group’s losses are another’s gains.

There is no reason to think that conflict would be as common or more common under Economic Bicameralism than it is today — if nothing else because, it need hardly be recalled, the situation is already so dire: the discontent of employees in the contemporary work world is growing and cannot be forgotten or ignored. Already, between 2005 and 2009, in a European economy composed entirely of unicameral, corporate firms, the number of workdays lost to labor conflicts was considerable, and has not improved since. Denmark topped the list in this period, with a yearly average of 179.4 days of work lost for every thousand employees. France came

in second, with 132 days lost, followed by Belgium, with 78.8 days lost (Carley 2010: 12). In France, this means that more than one employee in ten ceased work for one day a year due to a labor conflict; subsequent attempts to reform labor laws, culminating in the “loi El Khomri” in 2016, have only added tension. Since work stoppage is the final step in the escalation of a labor conflict, these figures should be taken as the tip of an iceberg of labor tensions caused by illegitimate, unreasonable, and unintelligent governance in today’s firms.

This is not to say that labor tensions would disappear if firms were governed bicameral by two chambers — only that they would change. Working together within the firm, representatives of both chambers would be obliged to clarify and negotiate tensions face-to-face, with the goal of finding a constructive solution for both parties. In cases of total deadlock between the two chambers, we need not only return to the history of bicameral democracy, in which examples of conflict resolution abound. Deadlock, it may be observed, is relatively rare, as the problems that cause it are generally dealt with through internal mediation and negotiation procedures via ad hoc conciliation committees made up of members from both chambers. Furthermore — in ways that vary depending on their specific structure — provide for the executive branch to intervene in such cases. As Jean-François Flauss recalls (1997: 147), “more generally speaking, conflict resolution between the two Chambers is hardly carried out according to a single method.” In case of prolonged deadlock, in which all other recourses to conciliation have been exhausted, the entire electoral body may be consulted to resolve a conflict, by electing new representatives or by referendum.

This is, in fact, a crucial advantage of the bicameral balance of power: it makes possible, even requires, quality conflict, along with responsibility, which is a necessary precondition for quality conflict to occur. It should be recalled that the word “responsible” comes from the Latin respondere, “to pledge,” or “to guarantee.” Seen in this light, it is not in fact realistic
to expect that executive managers in today's unicameral, capital-managed firms will actually behave responsibly with regard to labor investors; indeed, why would they? They do not answer to labor investors; they have pledged nothing to them. Their responsibility lies with their principal, the corporate shareholders: it is to them they must answer. And of course, this same logic may be applied in the other direction: there is little reason to believe that labor investors would behave responsibly with regard to the current unicameral, corporate firm. They have nothing pledged to it; they do not guarantee anything on its behalf. They are simply there to do a job, to fulfill a labor contract within a power structure to which they are subordinate. Under institutional conditions that strip them of their sense of responsibility, what reason do they have to behave responsibly?

Seen in these terms, the incidence of labor conflict might actually be judged as rather low. The absence of strife may largely be attributed to labor investors' responsibilities in other areas of their lives, which condition their commitment to their firms. With families to feed and homes to pay for, labor investors have strong responsibilities that should not be misinterpreted as loyalty to firms or their capital investors. Furthermore, as we have seen, they draw meaning from the work they do, which lies outside the domestic subordination that conditions their relationships to firm management. Karl Marx was among the first to identify this tidy system of constraints, in which the property-owning class relies on the fact that the proletariat has no other means of survival other than working for pay. In a nutshell, this was Marx's definition of the proletariat, and the constraints his definition identified have not lessened over time. Despite a power structure in which the worker is at a total disadvantage, despite the injustice of the institutions governing their work lives, labor investors continue to shoulder their responsibilities. Now, as we move deeper into the twenty-first century, it is time to examine the conditions that would be required to create a legitimate framework in which labor investors and capital investors might ground their responsibilities together, something other than an exploitative relationship. As the liberties and

responsible of capital investors have long been established, this implies laying the foundations for the emancipation of labor investors from a system in which their liberties and responsibilities have long been ignored or denied.

THE CLASSIC CAPITALIST FIRM: THE UNICAMERAL, CAPITAL-MANAGED INSTITUTION MISTAKEN FOR THE CORPORATION

The practical question of how the bicameral principle could be applied in a firm must be addressed in light of the government structure currently predominant in capital-managed firms. The political structure that governs today's corporate firms may be usefully considered as analogous to a representative government organized through a unicameral legislature. Firms today resemble what Great Britain might look like if it were governed by the property owners — that is, the House of Lords, alone. The sovereign demos of these firms is identified as the general meeting of the shareholders — in other words, those who own shares in the corporation, which appoints representatives to sit on a board of directors (or supervisory board). This body exercises legislative power, and oversees the exercise of executive power by the executive committee, which includes the chief executive officer and the firm's top management, the chief operating officer, the chief financial officer, etc.

As Part II explains, the rationality behind this political structure is instrumental, and it is considered to be the only logic necessary to guide the firm. This view of firms as dedicated exclusively to the deployment of instrumental rationality — return on investment for shareholders, wages for workers — justifies the existing chain of command. It is designed to further the interests of shareholders, upon whose successes workers' interests are pinned — and upon whose earnings workers' wages are

a democratic society. There are three dimensions to this type of exchange: deliberation about ends, bargaining about means, and experimentation over possible futures. True democratic exchange is born of the consolidation of these three components. When one of them is missing, the exchange can no longer be considered democratic, as is the case with capitalist economic exchanges. The bicameral firm, on the other hand, would provide an institutional structure capable of fostering democratic exchange.

For the sake of clarity of the example, let us assume that all shares are voting shares. In reality, corporations issue special categories of shares, including non-voting shares (which come without the right to vote in the general assembly, but guarantee the same right to dividends as voting shares), or with multiple votes, as in a plural voting system.
indexed. Because the corporation’s shareholders are understood to be the best representatives of this rationality, it follows logically that the entire institution of the firm be organized to ensure the satisfaction of their interests by placing power in their hands.

The institutional shape of the classic capitalist firm is a unicameral, capital-controlled corporate structure where only capital investors’ instrumental rationality is represented, via the board of directors. It would be more apt to call this board the Capital Investors’ Chamber of Representatives, as it is appointed by the shareholders, and thus, quite logically, is expected to pursue their interests. Ownership of shares in a corporation is considered sufficient to grant capital investors legitimate sovereignty over the firm. Reduced to its simplest terms, the unicameral, capital-controlled firm is a particular form of oligarchy. It is a plutocracy, a political system in which power is exercised by those in possession of material wealth, the property owners.

Let us now return to a crucial point made in Part II. The perception that this form of government is appropriate government for the firm arises from the confusion of two realities, the corporation and the firm. A corporation is a legal entity that pulls together capital investors’ assets, structured as shares. Notwithstanding this frequent misconception, these shareholders do not legally own the firm – legally speaking, they do not even own the corporation. What they own is one (or many) share(s) issued by the corporation, a legal entity that serves as the organizing vehicle for capital investors. Corporations are defined by a specific institutional design: its shareholders appoint a board of directors, which oversees an executive committee, which acts in the interest of the shareholders. That capital investors have succeeded in claiming the government of the firm merely because they are organized as a corporation is a formidable coup. By perpetuating and encouraging the confusion of the corporation with the firm, by behaving as if these were the same entity, capital investors have erected a kind of despotism. Some of these despots are more enlightened than others; some more paternalistic, more moral, more visionary, or more selfless – but all disenfranchise the political rights of the firm’s other investors, those who invest their labor and their persons.

In the unicameral, corporate firm, the executive committee of the corporation serves as the executive committee of the firm. The confusion could not be more serious: if the firm were in fact the same as the corporation – that is, defined by the interests of its shareholders – this design would be ideal. Yet, as we have argued, it is a mistake to understand the firm (as opposed to the corporation) so narrowly, and an injustice to leave its executive power in the hands of a – quite logically – very partial and biased legislature.

As this book has explained, the firm is driven by not one, but two rationalities, grounded in the values, goals, and interests that motivate its two main constituent bodies, its capital and labor investors. And if this is the case, then we must consider that the expressive rationality of those who invest their work and person in the firm ought to be represented and to have a say in the executive body of the firm – not of the corporation, which is, in its own right, the vehicle by which capital investors are organized.

For now, corporate firms are governed by a capital-managed, unicameral system that has succeeded thanks to the mistaking of the firm for the corporation. This is not to say that expressive rationality is entirely invisible in the contemporary firm: it is perceptible in workers’
motivations and expectations, as well as in employee representative bodies such as works councils, work safety committees — when these exist — or in obligatory consultations of personnel representatives or union delegations. While such institutional arrangements have been necessary to ensure that workers’ rights were (more or less) minimally respected, they cannot seriously be said to constitute a genuine voice in the government of the firm by labor investors.

GOVERNMENT STRUCTURE OF THE BICAMERAL FIRM

Economic Bicameralism acknowledges the legitimacy of the instrumental logic behind the economic pursuits of capital investors, and would maintain their representation within its governance structure via the structure of the corporation (general assembly and board) which is maintained, considering it is a fitting vehicle to organize and represent the interests of capital investors. What it does not accept is the confusion of the firm with the legal entity that serves as vehicle for organizing capital investors. Economic Bicameralism adds a second channel of representation to the existing government structure in order to guarantee equal representation to labor investors. Its goal is to shift from a corporate governance structure that serves capital investors alone by imposing the board of the corporation as the legislature of the firm, to a structure of government that serves the constituents of the firm, i.e. including those who invest their person, rather than their capital alone. A Labor Investors’ General Assembly, composed of all those who invest their labor in the firm, would be held in parallel to the General Assembly of Shareholders, which would be known as the Capital Investors’ General Assembly. The latter would retain the right currently held by the General Assembly of Shareholders to elect members to the Board of Directors. In a bicameral firm, however, this body would be called by a more descriptively accurate name: the Capital Investors’ Chamber of Representatives. The Labor Investors’ General Assembly, given equal standing within the firm’s governance structure, would have the same right to elect the members of the Labor Investors’ Chamber of Representatives.

Under this system, the firm’s executive committee would become the true executive branch of the firm government, one that answered to a parliament composed of two chambers, and not just one, as is the case with contemporary unicameral corporate governance. In other words, as is true of bicameral political systems, the firm’s two constituent bodies would assemble for the Labor Investors’ General Assembly and the

Capital Investors’ General Assembly, during which they would elect representatives to their respective chambers, who would jointly hold legislative power within the firm. An executive branch would then be chosen to sit before these two chambers, which would act as the firm’s government per se (what is currently known as the supervisory committee, the executive committee, or other body composed of members of upper management). In practical terms, any policy that the executive branch wished to pursue would have to obtain a majority of votes (50% + 1 vote) in both chambers, not just from the board of directors, as is currently the case in contemporary unicameral firms. Following is a diagram of the institutional structure of the bicameral firm:

Composition of Chambers

This institutional design would at last establish a legitimate, reasonable, and intelligent government for the firm. Its design would finally meet the
requirements of a “representative government.”

By “representative government” (Manin 1995) we mean the entire institutional arrangement that allows for and produces a political community's expression of sovereignty. Representative government institutions are created by the election of representatives to one or two legislative chambers and the nomination of an executive body, generally known as the executive branch. The overall structure of a representative government, which is the modern institutional form taken by liberal democracy, should not be confused with one of its constituent parts—the government, as it is referred to in some countries, in the strict sense of that term, in other words the executive government or branch, as opposed to the parliament.

If the logic of investment in a firm justifies representation, a part-time worker has just as much right to an entire vote as a full-time worker, particularly as working part time is often not a choice, and since all workers are equally affected by a firm’s decisions, no matter how many actual hours they work. In situations where employees have chosen to work part time, one might imagine representation proportional to the percentage of a full-time position worked by the employee; a half-time worker would thus be granted half a vote. Such decisions are constitutional in nature and rest in the hands of a firm's parliament.

Currently, voting rights for shares or stocks held in a corporation take many forms. Depending on a corporation's history, and, for example, the continued involvement of its founders, some shares grant more than one vote to their holders in the general assembly, while others simply grant ownership of a share in a corporation's capital with no right to representation. From this perspective, even true shareholder democracy does not yet exist. Infamously, Elisabeth Holmes, the founder of Theranos, had golden shares with 100 votes attached to each one of them.

In a bicameral firm, both chambers would be composed of people elected to represent their peers. Since both are representative chambers, one’s eligibility would be determined by one's status as a capital or labor investor in a given firm. It is possible to imagine, as previously mentioned, that capital and labor investors in a firm might wish to ask people from outside the firm who share their sensibilities and who care for the firm’s future to run for election to the chambers. This would be justified as long as both chambers agreed to it and both were allowed to do so. Indeed, the position of “outside director” in boards of directors today is considered good practice in corporate governance. For a Capital Investors’ Chamber of Representatives, it should be made clear that the strategy of Economic Bicamerality includes the idea of reconnecting capital owners to their investments in the perspective of sustainable firms. The main difficulty that globalization has raised for democratic nation-states is that capital cannot be contained by national borders. Compelling capital investors to elect representatives from their ranks and to learn to dialogue with Labor Investors’ Chambers of Representatives seems a good way to provoke an increase in pertinent knowledge among capital investors of the reality lived by labor investors, and, by the same token, to nourish in them the possibility of developing a rationality that is not solely instrumental. The history of great corporations is filled with examples of the ties that bind familial or historical shareholders to their investments; their history with and their knowledge of the contexts in which their behavior is rooted means that they cannot justify their actions with instrumental reasoning alone. Until the 1960s, this was the case of the majority of Western Europe’s great industrial families, who saw themselves as tied to a place, a nation, and its people, and believed they had a higher responsibility toward them, as well. Since that time, capital mobility has made it possible for instrumental logic to become the only motive considered germane to investment strategies. From this perspective, the bicameral plan for the firm, and for the global firm in particular, is an answer to the current state of economic globalization without global democratic sovereignty. This speaks to 1 of the effects Economic Bicamerality would have: to push capital investors to (re)connect with their own expressive rationality and responsibility beyond a strict definition of return on investment.
Size of Chambers

For each chamber, the total number of labor investors or the total number of stocks (or shares) would be divided by the total number of representatives sought for each chamber, in order to arrive at the number of votes required to elect a representative. The chambers would deliberately be kept to a reasonable size; this constraint seems necessary if we wish to avoid the disadvantages of political bicameralism raised by Jeremy Bentham. The optimal size of these chambers should fall somewhere on the spectrum between the committee system (referred to in the EU as “comitology”) and full assembly (or direct democracy). The current size of corporate boards makes them too small to function as effective parliaments, given the deliberative dimension they are supposed to have; at the same time, they also risk the disadvantages inherent to committee systems. Since the role of each chamber is a representative one, in the interests of effective debate, each chamber must necessarily limit the number of its participants. This is the inherent challenge to building a parliament capable of functioning as a “policy transformer” (Polsky 1975, Norton 2010), in which elected officials have a collective “viscosity” with regard to the law. Here, a difference between the unicameral, capital-managed firm and the bicameral model should be highlighted: broadly speaking, the General Assembly of Shareholders in a unicameral firm has limited legislative competences (it names members to the board of directors and votes on major strategic orientations); the board of directors wields the actual legislative and executive power. In the bicameral model, which is inspired by the political theory of the balance of powers, authority would be distributed in a more clear-cut fashion: legislative authority would be exercised by the two-chamber parliament and executive authority by the top management, the executive committee. Evidently, as we pointed out earlier on, and as is the case in most bicameral political systems, the government would also be empowered to introduce draft laws.

In order to maintain the bilateral logic by which the mutual recognition of instrumental and expressive rationalities form the basis of the firm, it seems ideal, symbolically speaking, that the size of the two chambers be numerically identical. The number of representatives elected to each chamber would be equal, which would, among other things, make calculating majority thresholds simpler. It is possible to envision chambers of different sizes, given that the overarching goal of any bicameral structure is simply to ensure that each chamber, collectively, has an equal weight in the life of the firm, be they composed of 3, 30, or 50 representatives. But the existence of asymmetrical chambers would imply that representatives had different symbolic weight in the firm’s government system. For example, if the Capital Investors’ Chamber of Representatives were composed of six people and the Labor Investors’ Chamber of Representatives were composed of 30 people, it would be difficult not to come away with the idea that the representatives elected to the Labor Investors’ Chamber of Representatives were “worth” less, in that each individual representative would have less say in a chamber whose influence was equal to the other. Bicameral political systems have indeed often chosen to restrict the size of one of their two chambers, in order to give the elected officials in the “upper” chamber greater symbolic weight than those in the “lower” chamber. Emblematic is the case of the American senate (Swift 1996). Since the goal of the bicameral firm is to give equal footing to two incommensurable rationalities, it is only reasonable and logical to bear symbolic witness to this mutual recognition by ensuring that representatives of labor and capital have equal weight in equal numbers.

Convocation and Prerogatives of the Chambers

All matters regarding the life of a firm fall into the purview of the firm’s bicameral government, for what decision regarding the life of a firm could realistically be seen to affect 1 rationality and not the other? The compensation of a firm’s CEO, lowest-ranked worker, or capital investor; the distribution of work among different business units; the nomination of directors; investments in research and development, the development of a new product, or training and continuing education policies; issues of outsourcing and international development—any decision regarding the life...
of a firm mobilizes both instrumental and expressive rationalities. All such decisions have an impact on the firm in terms of efficiency and justice. It is therefore only logical that all main issues affecting the firm fall under the joint authority of the two-chamber parliament, with a particular focus on the strategy of the firm; that is, in the ends it pursues.

As they exercise legislative power within the firm, the chambers should meet on a regular basis. Monthly or bimonthly meetings of the two chambers would seem efficient and reasonable, given that the elected officials seated in both chambers would presumably be well informed about the firm, since they are directly implicated in it by dint of their labor or their capital. By default, it is important that both chambers meet jointly as a parliament or congress. Why? Because, as Bernard Manin (1995: 241) explains, the “specific function” of discussion within the two chambers is to “produce agreement and consent.” Asymmetrical circulation of messages and information between the two chambers would be a danger to the well-being of the firm. The idea behind Economic Bicameralism is well and truly to compel representatives of a firm’s two constituent bodies to govern together, counterbalancing each other in situations of excess in either direction. The very existence of the two chambers acknowledges that the interests represented within them process, interpret, and apply information regarding the life of the firm from different perspectives, using different logics (instrumental versus expressive). So if concessions are to be made by both parties, if productive compromises are to be made in view of the “common good” of the firm – to echo the vocabulary of political philosophy – representatives in both chambers must have access to the same information, and, more importantly, must learn to understand one another. In particular, situations in which the firm’s executive committee might make selective reports to one chamber or another should be avoided at all costs. This cannot be stressed enough: if need be, the two chambers should be allowed to meet separately, but under ordinary circumstances they should meet jointly, and the firm’s executive branch should report to them as a single body, its parliament.

Role of the Executive Committee

A firm’s executive committee should be named by majorities in both chambers, and should therefore report to the parliament. The committee should be a veritable executive branch, in that it should exercise executive power in the broadest sense of that term, steering the firm based on decisions and directives issued by the two chambers. It should also have the power to propose legislation on any matter it wishes to the two chambers. When implementing firm policy, the firm’s executive branch ensures that the interests of both rationalities are respected. In all aspects of the life of the firm, this means taking both political and expressive rationality into account. As in any bicameral system, the executive branch must have the trust and respect of both chambers in order to exercise power.

The exercise of executive power in the firm is collegial. As in contemporary unicameral firms, the executive committee should include different operational positions (chief executive officer, chief financial officer, chief operations officer, etc.). To echo the language of Principal-Agent theory, the goal of bicameral reform in the government of firms is to fundamentally change its system of incentives by making it responsive to the needs of both the firm’s constituent bodies. The constraint of having to obtain a majority in both chambers guarantees that the need for democratic justice among employees be respected to the same degree as the imperatives imposed by instrumental rationality, and obliges the firm’s government to come up with productive, equitable compromises between these two rationalities. Any decision proposed by the executive branch must be the object of a compromise that obtains a majority in both chambers.

The scope of action of a firm’s executive committee would be radically different from its current role in today’s unicameral context; here, the executive government’s job would be to seek compromises that are both instrumentally and politically effective. The model of the firm manager acting on behalf of the shareholder, agent of its principal, would be obsolete. The firm’s executive branch becomes the driving force behind its “representative government,” a central idea in political theory (Manin 1995). Management studies regularly raise the alarm that managers lack the leeway necessary to foster creativity and innovation, pressured as they are to conform to shareholders’ interests. Indeed, stock options and other incentives for executive managers were created to this end, to ensure that agents’ interests were aligned with the corporate principal, the shareholders.

This situation has, increasingly, raised concern. “As soon as directors are supposed to represent the – shareholders,” write Segrestin and Hatchuel (2013: 18), “the legitimacy of their power depends on the extent to which it is exercised with respect to the wills of the people they represent. Managers have no latitude to propose innovative projects.” Blanche Segrestin and Armand Hatchuel argue that top management should be “empowered” with established autonomy (pouvoir habilité), which they see as the condition for managers to become true “creators” (Segrestin
Economic Bicameralism represents a solution to this problem, too. In his study of the principles of representative government in political history, Manin shows that 1 of the organizing principles of representative government is precisely the extent to which “the decision-making of those who govern retains a degree of independence from the wishes of the electorate” (Manin 1995: 252). Here, indeed, we should highlight a strength of representative government: representation makes it possible to seek the general interest precisely because it places a certain distance between the direct interests of voters and the functions of elected representatives or members of the executive government.\footnote{It is precisely this gap that Manin describes through the concept of “representative link” (1995: 429).} This is precisely the position that the bicameral structure of government would offer to the executive committee’s top managers: equidistance from both capital and labor. This is an ideal position for managers to gain the leeway necessary to generate innovative and productive compromise.

**Organization of Work, Hierarchy, and Delegation of Powers**

Bicameralism rests on the principle of representation. Its government follows the principles of representative democracy, as opposed to purely direct democracy or consensus assemblies. Chambers in a bicameral firm would not hold session every day. As mentioned earlier, the executive committee would be given broad initiative in the bicameral system, and should be considered as the actual driving force in a firm’s everyday life. The chambers would have the power of legislative review; they constitute a “viscous” parliament (Norton 2010), while the firm’s executive branch fills the role of leader in the firm’s executive and legislative life. As in a bicameral nation, the two chambers must approve the executive committee’s policies: its overall policy plan must be submitted to the two chambers, and must be ratified by a majority in both chambers before it is implemented.

Beyond that, however, specific hierarchical structures and the delegation of powers would be determined by the internal organization of each bicameral firm on its own. The goal of Economic Bicameralism is not to make participation in common deliberations the sole means to action in a firm: the chambers need not meet for each and every decision made on the firm’s behalf. Quite to the contrary, Economic Bicameralism allows for the same degree of hierarchization and power delegation as exists in a unicameral firm. The salient difference is a simple one: decisions in a bicameral firm would be made from a legitimate foundational structure. The two chambers might choose to designate division or department heads, committees, or commissions to deal with specific questions. In short, the two chambers could approve whatever chain of command was needed for a given firm to function efficiently, however complicated it might be — so long as the firm hierarchy acted under the chambers’ leadership and respected the guidelines they had established, which would generally have been proposed by the executive committee. This is not to gloss over the real limitations of representative democracy, which have been documented by the deliberative, associative, and participatory democracy literature. Indeed, with this literature in mind, it should be explicitly noted that the idea of Economic Bicameralism ought not to be considered applied as an added layer of formality in a firm; rather, it should be seen as an institutional roadmap for mobilizing a firm’s investors and democratizing its decision-making process from top to bottom.

Ideally, in large, transnational firms, Economic Bicameralism would be implemented at several levels within a firm. It should of course be put in place at a firm’s highest level, be that national, multinational, or transnational. But the bicameral structure may also be reproduced at a more local level (national, regional, sitewide) to manage matters delegated from further up in the hierarchy, in accordance with the subsidiarity principle and with the specific legislation of a given country. This is, of course, how things work in large federalized nations, for which bicameral government is seen as a particularly well-adapted system (Flauss 1997, Doria 2006) as is often the case with large federal states. Germany and the United States are the best-known examples; there, federated sub-entities may also be organized along the bicameral model. In these highly globalized times, global firms, with their highly diverse internal organizations, have come to resemble large federalized nations.\footnote{See Kristensen and Zeitlin’s qualitative study of a major British multinational and its subsidiaries (2005).} Reproducing the bicameral system at lower levels in a multinational firm’s hierarchy would certainly be a powerful means to induce its capital investors to become involved in the life of the firm. This is a further argument in favor of bicameral firms, since the absence of this involvement is often cited as 1 of the major causes of harmful short-term investment strategies (Roundtable Institute for Corporate Ethics Report 2006).
On a more local level, the point of the bicameral firm is not to promote structures for the sake of structures: the bicameral model has a logical affinity with existing methods for increasing participation by labor investors in the life of the firm. Numerous forms of cooperation and participation exist to grant employees more collective autonomy, as well as to ensure they are more satisfied, productive, and responsible in the workplace.\textsuperscript{53} Institutional structures can only be effective in their roles if people participate in them. Hence, methods must be found to encourage the involvement of the firm’s two constituent bodies in bicameral government. The firm should motivate labor investors to express differing opinions while providing the tools to build consent and generate creativity, innovation, and commitment in the workplace (Pink 2009). Endenburg (2002)’s sociocratic circular organizing method might be used as a starting point: the sociocratic model would seem to fit logically with a bicameral structure, particularly because one of the key principles of sociocracy is double linking (Charest 2007). Just as it did with paired Roman consuls, double linking helps limit the abuse of power while involving more employees, who are, after all, the firm’s major source of innovation and efficiency.

**Role of Unions and Labor Organizations**

Labor unions have a dual role to play in the bicameral firm. They must be taken as the collective representatives of workers and as conduits for solidarity across firms. Where they exist, labor unions are the logical vehicle for worker representation, with a history and a set of skills that can help them to organize employees’ voices (Freeman and Medoff 1984) while also helping to train elected officials. It is only logical to assume that union culture would change as union representatives participated in the government of bicameral firms through the Labor Investors’ Chamber of Representatives.\textsuperscript{54} Participating in the government of the bicameral firm should help labor unions to develop a truly responsible relationship with the economic endeavor, on a healthy basis of legitimate compromise, where the \textit{expressive} rationality driving work is finally understood and respected on equal footing with instrumental rationality.

At the same time, it makes sense to extend (or to maintain, if this right is already in place) exclusivity of worker representation to recognized labor unions by making affiliation with an existing and legally recognized organization a condition for candidacy in elections to the Labor Investors’ Chamber of Representatives. The goal of Economic Bicameralism is not to encourage “corporate patriotism,” at the expense of solidarity among the working class, and it should not contribute to that. On the contrary, it should foster the human infrastructure of a broad labor movement. A chamber of representatives composed of labor investors who have no connections to any officially recognized labor organization present in more than one firm would lead to the disappearance of critical principles of solidarity extending beyond the firm.\textsuperscript{55} Nor should Economic Bicameralism be used to intensify competition among firms; indeed, given that chains of production worldwide are becoming more and more complex and interdependent (Berger 2005, Weil 2014), Economic Bicameralism seeks to reconnect capital investors to their investments and consolidate employees’ implication in their firms by linking them to their peers in other firms, thereby creating the opportunity to build denser non-competitive relationships in the global economic fabric.\textsuperscript{26} In this way, Economic Bicameralism would advance the place of the economy as an integral part of the democratic society, and at the same time contribute to the project of democratization of society, both at the national and global level.

**Firms Concerned**

Wherever capital and labor investors are present, their specific rationalities are present, with their respective concerns, all of which are tied to issues of efficiency and justice. The success of any firm depends on what

\textsuperscript{53} For specific examples of innovative, high-performing firms in which employees enjoy a high degree of autonomy and are satisfied with their work, see Carney and Getz (2009), Laloux (2014).

\textsuperscript{54} We at this point recall Rogers’s evaluation of the impact of union members’ participation in the election of works councils: “In countries with multiunionism, works council elections force unions to match their policies to the preferences of large numbers of workers, unionized or not, and to measure regularly and publicly their support against that of their competitors. In these ways, a council system promotes a certain accountability of unions to those they purport to serve” (Rogers 1995b: 383).

\textsuperscript{55} Georges Friedmann identified the double stakes of solidarity in work life through the distinction between “the firm’s solidarity, which binds together all the personnel of a business or a factory, a department store, a workshop, or a mine, and so causes group-solidarity within the firm,” and “the solidarity of the workers as wage earners, linking them to other wage-earners outside the firm, to the employees, etc. of other firms” (which he called “class solidarity” or “worker solidarity”) (Friedmann 1956: 144). It is not the goal of Economic Bicameralism to disrupt the conditions that make possible these two forms of solidarity.

\textsuperscript{26} For a description of the challenge that “divisive capitalism” raises for labor unions, see Pech (2007).
Analogy: The Executive of the Firm Answering

happens when they encounter one another. At the same time, as the pion-
eering work of Joseph Schumpeter (1943) suggested, it seems necessary
to distinguish among firms based on maturity and legal status, which
indicates the specific state of the relationship between capital and labor
investors, and the particular way in which their instrumental and expres-
sive rationalities intertwine. As written earlier, the present text uses the
word firm to mean an organization mature enough to be run by an execu-
tive committee composed of a group of professionals hired by the corpo-
ration that gives them the authority to mobilize that corporation's assets
in order to fund the endeavor pursued by the firm. Both public or pri-
ately held corporations with shares that are tradable on the stock market
or held privately are included in this definition.

Economic Bicameralism is particularly adapted to firms that have com-
pleted their initial phase of development and become limited liability
corporations. And it is even more adapted to any legal structure in
which shareholders, by means of the unilateral overvaluation of instru-
mental rationality through the financial market, are able to exert signifi-
cant pressure on the boards and executive committees in order to have
them managing the firm "in their name," as if it were a mere corporation.

It is to be expected that firms would approach the idea of such a vast
change with a wary eye to the costs and risk it might entail. It therefore
seems appropriate for nations or regional entities interested in promo-
ting Economic Bicameralism to encourage firms to make the change
by offering tax incentives to finance starting costs and smooth the way
until the transition is made and firms begin reaping its benefits. Corpo-
rate taxes are, after all, regularly lowered for less legitimate reasons than
this. For the challenges it would help meet, the bicameral model is ideal
for transnational firms, which are run as corporations even as the reality
of the networked and fissured firm urgently awaits recognition and con-
sideration for what it is: a political entity embedded in no state, with a

59 As they count hundreds of thousands of employees and contractors, such transnational
firms, in fact, are richer and stronger than many states around the globe. To mention a
few examples from 2011, while the trend has only been growing, Bank of America's rev-
eue was bigger than Vietnam's GDP, Walmart's than Norway's, Ford's than Morocco's,
Microsoft's than Croatia's, General Motors's than Bangladesh's, General Electric's than
New Zealand's, Fannie Mae's than Peru's, Chevron's than the Czech Republic's, Exxon
Mobil's than Thailand's. From: http://www.businessinsider.com/53-corporations-bigger-
tan-countries-2011-6?op=1

27 Here, we have in mind entrepreneur-led firms in their initial phases of development,
whose leaders have a strong vision or project, are personally implicated, and have under-
taken personal financial risk. Since entrepreneurs usually risk their own personal money
in addition to investing their personal labor in the fledgling endeavor, they are unlikely
to risk irresponsible behavior in the same way that a limited liability corporation is.
This type of entrepreneur is situated at the point where the capital and labor investor's
rationalities intersect, and their acts are fairly equally driven by both.

28 For a detailed account of the evolution of capitalist firms' legal structures, see Robé
(2011). A firm's legal status evolves throughout its life cycle, and data show that the
longer ago a firm was founded, the less likely it is to be an unlisted family-owned company
(see Franks, Mayer, Volpin and Wagner 2010).
The complete separation of management from ownership, the lack of real power of the stockholders, and the tendency of corporations to develop into self-willed and possibly irresponsible empires, aggregates of enormous and largely uncontrollable power, are not facts which we must accept as inevitable but are largely the result of special conditions the law has created and the law can change.

We have it in our power to halt and reverse this process if we want to.

Friedrich A. Hayek (1948: 115)

Citizens cannot spend eight or more hours a day obeying orders and accepting that they have no rights, legal or otherwise, to participate in important decisions that affect them, and then be expected to engage in robust, critical dialogue about the structure of our society. Eventually the strain of being deferential servants from nine to five diminishes our after-hours liberty and sense of civic entitlement and responsibility.

Elaine Bernard (1996: 2)

The subordination of everything to the single aim of monetary profit leads industrial government to take the form of absolute monarchy.

Monarchy has a certain simplicity and convenience; but in the long run it is seldom the best for all concerned.

Sooner or later it leads to insurrections.

Morris R. Cohen (1927: 28)

Conclusions

ON DEMOCRACY AS A PROJECT

One of the questions propelling this book is: What justifies the existence of the institutions that govern our social activities? Broadly speaking, answers to this question may be divided into two categories: a realist approach, which sees institutions as a necessary locus of order, and a progressive approach, which sees institutions as playing a role in fostering human emancipation.¹

The realist approach sees institutions as vehicles for maintaining social order, or “control,” in the Habermasian sense of that term. In practical terms, this means maintaining, thus reinforcing, existing structures of domination. The state’s main role is maintaining social order in the public sphere and market order in the economy, while ensuring that individuals enjoy a basic set of rights. These rights are “negative” individual liberties (Berlin 1969) granted to rational individuals who consent to be governed through elected representatives. This is a highly restrictive understanding of the democratic project, in which liberal democracy is a process of individualization limited to the political domain in the very narrowest sense of that term, whose only real political institution is parliamentary representation. The realist perspective on institutions conceives of society as a space in which individual forces – or coalitions of individual

¹ This choice refers to the epistemological alternatives identified by Habermas (Habermas 1971: 301–317). The particular affinity found between the idea of emancipation and critical social theory implies that the latter has devoted itself to contesting the idea that issues generally categorized as “private” should be located beyond the reach of democratic debate and negotiation (Fraser 1992, Ferreras 2007).
agents—interact. Once individual liberties have been guaranteed, there is no need to democratize institutions in other social domains; market forces take care of allocating all categories of goods (from wages to education to healthcare to pollution rights). As we have seen in Part I, collective labor rights as the right to collective bargaining become problematic from this standpoint, and must be fought against.

The progressive approach, on the other hand, sets emancipation as the defining goal of the individual and the collective, and sees the two as inextricably intertwined under the democratic horizon. Democracy, according to the progressive approach, is an ongoing project, something that is always in the process of becoming. This is evident in its very name: something progressive is, by nature, engaged in progress. The progressive approach and the realist approach accord individuals the same basic set of rights—which make up the core of political liberalism—but in addition to this the progressive approach undertakes to answer the question of how society can live up to the democratic ideal. Its goal is to bring the democratic ideal to life, in practice, both on the individual level (in terms of the liberty and equality of citizens) and on the collective level (in terms of collective self-determination or autonomy). The progressive viewpoint thus pushes beyond the framework of political liberalism, taking it as a foundational structure, not an end. The progressive approach is an active one, and is manifest in collective mobilizations such as those for the emancipation of slaves, the right to associate, unionization rights, women's rights, civil rights, or for the liberation of colonized peoples or those living under dictatorship.

This progressive philosophy of democracy sees the institutions governing various areas of social life as offering opportunities to nurture the democratic ideal. It offers a maximalist understanding of democracy as an ideal standard for living together, one that can expand infinitely alongside individual and collective self-determination. This means that contemporary arrangements may always be viewed as steps along a path of experimentation towards something else, including something more thoroughly democratic (Sabel 2012). According to this perspective, this ideal of self-determination—both individual and collective—seeks to ultimately shape all areas of society. This of course includes the domain of what we currently consider to be politics: in a maximalist view of democracy, parliamentary representation is just a building block for individual and collective sovereignty, not its unique expression (this viewpoint is evident in contemporary citizens' growing demand for greater involvement in decisions that concern them directly). But it also extends to all domains of life, including culture and education, as well as international relations, as the growing demand for global justice finds voice in myriad ways (Pleyers 2010). Most germane to this book, of course, is its inclusion of the economy: the progressive approach has brought to life many inventions in the economic field, such as works councils, collective bargaining, and social dialogue. Economic Bicameralism for the firm is proposed by this book as another, in line with the progressive standpoint that institutional arrangements governing the capitalist economy, and the firm in particular, should be seen along a possible path of democratic transition. The task is to recognize that the institutional mode of government of the firm has the potential to evolve, that it is in transition, and can be moved along a political spectrum that goes from despotism to collective autonomy—that is, democracy.

The realist viewpoint takes an opposite, if not an opposing stance: it understands the political realm in the narrowest sense of that term, as the institutions organized around parliamentary representation; indeed, according to the realist approach, parliamentary representation is the only field to which democracy may be applied. From this perspective, the idea that the democratic ideal might in any way apply to the field of economic practice is simply meaningless. Economic Bicameralism cannot fit into such a narrow understanding of the democratic ideal; it is born of the progressive approach to institutions, and undertakes to engage in democracy as an ongoing process. The progressive approach is one that fosters individual and collective autonomy in all areas of society, and Economic Bicameralism engages it to raise the question of autonomy in the realm of work. This book has observed that the people who invest their personal, their labor, in firms develop an expressive rationality, and that they are moved by the intuition of democratic justice in the work environment while it becomes increasingly part of the public sphere. Its conclusion takes a progressive view of these observations: institutions must, once again, evolve in order to "deepen and expand," as write Olin Wright and Rogers (2015), the democratic promise. If the institutions that currently

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1 For a clarification of this point, the reader is referred to the idea of "collective capability," which builds on Amartya Sen's concept of capability. I suggested this notion in order to account for the specifically collective dimension of individual liberty. See Ferreras (2012b).

2 As a result, scholars in this tradition have sought not to reason in an abstract way about the human nature but to connect the conditions of political equality to the specific material, economic conditions people face. See Cohen (1989, 1997), Cohen and Rogers (1987), for a general overview of the institutions of a deepened, "productive" democracy across the different fields of life (except the firm) in a global era. Also see Rogers (2012).
govern firms continue to ignore what the careful analysis of contemporary work reveals, and continue to refer only to the rationality of capital investors, then the logic and the government of the firm is de facto – and must be called into question.

THE PLACE OF THE FIRM IN DEMOCRACY

Work is undeniably a defining experience in the lives of the active population today. There is an increasingly palpable tension in Western society between the democratic ideal powered by its advanced democratic culture and its economic institutions, which perpetuate a despotic, antidemocratic power structure as outdated as the domestic regime from which it grew. This tension undermines the credibility and the legitimacy of the democratic project as a whole, as it repeatedly reminds workers that they are not as equal as they were brought up to believe they are. In the era of the service economy, in which workers both serve customers and are customers themselves, the workplace, from the worker’s perspective, is experienced as part of the larger public sphere. The fact that the government of firms has yet to acknowledge this reality, and that firms have yet to adapt the ways they exercise power accordingly, makes the need for public debate all the more urgent. It is necessary to think carefully about exactly how firms have become a central institution in democratic society, and to begin considering the obligations that arise from the central role they play.

This book is a response to this tension. Proceeding from the observation that the firm is a political institution driven by two rationalities, instrumental and expressive – not, in other words, a corporation that deploys instrumental rationality alone, as both the economic theory of the firm and the Marxist perspective would have it – this book has proposed the idea of Economic Bicameralism as a legitimate, intelligent, and reasonable means to govern the firm. This would represent real progress from the current situation in which the corporation has usurped the firm.

4 And yet, every time a far right wing party wins an election, or every time voter participation dips in countries where voting is not compulsory, we hear calls to the people to engage as responsible citizens and to vote accordingly, without coding to the siren song of populist demagoguery. But in the workplace – that is, in the very place where they are the most highly informed about issues relating to the way their lives are governed, and feel the most concerned – they are denied full participation. How should they cope with this? This is the democracy/capital contradiction at the most individual level, and its tremendous repercussions at every level of (public) life are hardly surprising.

5 This is a generational phenomenon that marks a major, and underestimated, cultural change currently underway: in a country as liberal as Belgium, the author’s own mother was born just barely in time (in 1947) to come of age knowing that she would be able to participate in the electoral process on the day of her majority. She, on the other hand, was raised by a mother whose political emancipation came after she had reached adulthood. Nevertheless, they both had to wait until 1976 to enjoy full autonomy when it came to managing their own money and property; until then, for married women, a husband’s consent was required for any significant transaction. The culture that these rights nurture can only deepen individuals’ expectations that they ought to have a say in their own lives, including in their work lives. Again, this is what we call the critical intuition of democratic justice.
Conclusions

of course, the expectation of democratic justice extends far beyond the bounds of the Western world (Sen 2006) – throughout the 2010s, the scale of democratic uprisings such as the Indignados, Occupy Wall Street, the Arab Spring, Black Lives Matter, and many more, is ample evidence of this, even as, as with all progressive movements, it goes through moments of positive progress and regressions, and is met with violent opposition. We may thus speak of a veritable hunger for democracy emerging across the globe, across a vast field of social practices, not only in the realm of activities considered to be political in the strictest sense of the term (Ferreras 2007b).

Capitalism is just as an undeniable phenomenon in today’s society, and this book does not contest that the stocks and shares of capitalist corporations are held by capital investors. We only assert that this fact alone does not justify the latter’s excessive rights and unilateral authority within the firm. Employees have every reason to expect recognition as fundamental investors in the firm, on the same terms as capital investors. This is how emancipation has worked throughout history: a disenfranchised group at a time, slaves, people from the colonies, people of color, women… and now workers. The logic of emancipation informing the democratic project can be summarized in a simple gesture, that of extending equal rights to a group formerly excluded from the term “equal” and therefore from the exercise of those rights. Because work is an experience animated by expressive rationality, and because instrumental and expressive rationalities work together to make possible the existence and guarantee the success of the capitalist firm, it is only right that the firm’s “constituent bodies,” capital investors and labor investors, hold power together. There is no valid reason why only capital investors should enjoy political rights in the firm, which is, as we have seen, a joint endeavor in which labor investors contribute and are affected in – at least a symmetrical way. Firms must be governed by representative governments worthy of that title, ruled jointly by their two constituencies. With this in mind, we have searched political history for the moment in which despotism gave way to sovereignty shared with the people, and determined that the advent of bicameralism was the institutional innovation that enabled the democratization of society.

THE CONTRADICTION BETWEEN CAPITALISM AND DEMOCRACY

The tradition of political liberalism has had a defining impact on the democratic model in the Western world. But political liberalism, with

the barrier it erected between the realm of political freedoms and the economic domain, was built from an ambiguity. Today, this ambiguity has brought us to an impasse. Freedom of enterprise and contractual freedom have been privileged in the economy, which in concrete terms, translates to an absence of political freedom – that is, the freedom to participate in governing one’s own life. The only citizens who have the political right to participate in the government of the circumstances that affect them are those who own capital and exercise power via the corporation; all others are disenfranchised. The invention – the fiction – of the labor contract, in which a worker was considered to exercise the full extent of his freedom in consenting to be employed, made it possible to hide the reality of the situation. There is no denying the many advances made since the beginning of the nineteenth century, advances we explored in Part I of this book. Workers’ movements have won important victories. Labor rights, including the right to form a union, the invention of collective bargaining, and works councils, all bear witness to the fact that political emancipation in the economy is already underway in some national contexts. But this freedom remains limited, constrained, narrow, and incomplete. We are currently at the very nexus of the contradiction between capitalism and democracy – in fact between political and economic liberalism. The unsteady balance once achieved by our capitalist democracies, in which democracy was assigned to the political arena and capitalism to the economy – cannot be sustained much longer. Yet, the contradictions central to capitalism, as understood by Marx – “because of its inner dynamics…capitalism destroys its own conditions of existence” (Olín Wright 2006: 102) – are also excellent opportunities to address these imbalances, and to find a productive way out of this crisis. Work’s emancipation from the private sphere must

6 We may here recall the celebrated words of Max Stirner (1845): “freedom can only be the whole of freedom; a piece of freedom is not freedom.”

7 On the concept of “contradiction of capitalism” central in Marx’s analysis of capitalism – i.e. “the body of structural constraints associated with the capitalist dynamic but also of the possibilities for emancipation that it leaves open,” Corcuff (2009) continues: “this dual dimension characterizes the Marxist approach to capitalism as a contradictory force. These contradictions in capitalism merely point to possibilities, which require politicization to become fully active rationales, to become reality (logically analogous to Aristotle’s force/motion dichotomy: a force or potentiality is actualized through motion).” As Corcuff points out, Marx’s successors have traditionally focused on the capital/labor contradiction and on the “social question” that arises from it. Corcuff, in contrast, invites us to expand the field of contradictions studied. This book offers one possible means of exploring the democratic question raised by what we can call the “capitalism/democracy contradiction.”
lead to its full and total access to the public sphere of our democracies. This book has argued that the way to do this is to recognize firms as political entities in which capital investors already have power, through the institutional representative mechanisms of the corporation, and in which labor investors are still waiting to be recognized in those same terms.

Today, work in the service- and knowledge-based economy, and in particular the interactions with others that take place there (with customers, coworkers, management hierarchies, etc.) has shifted the workplace — or at least the worker’s experience of it — into the public sphere. This shift has dramatically intensified the tension between instrumental and expressive rationalities in the firm, shedding light on the fact that wage work takes place in a contested field, in which the corporation exercises unilateral power over the interactions of workers, who relate to their work experience expressively. Employees’ intuition of democratic justice in the workplace, their aspirations to the recognition of their equal dignity, and their conceptions of justice are constantly frustrated by the domestic regime under which they continue to work. This contradiction means the continuation of a long history of struggle for power and influence over labor, as old as capitalism itself.

At the individual level, this dissonance reveals the extent to which the impulse for freedom and democracy, which galvanized the battle against political despotism during the Enlightenment, is palpable for those living under economic despotism. Will this impulse be powerful enough to overthrow the barriers erected by liberal theory in the era of political despotism, barriers that opposed the political and the economic, the public and private spheres, political and contractual liberties? Citizens’ growing desire to participate in determining the conditions of their own investment in the workplace, and in the firm more generally, is evidence of the subversive power of the democratic ideal upheld by political liberalism itself. Will the democratic impulse gather the force to overcome liberalism’s internal contradiction? Will it be powerful enough to bridge the divide that now exists between the political and the economic realms, a divide created in a bygone era to protect its economic interactions from the authoritarian intervention of political despots? Only time will tell.

This book argues that progress is still possible for liberal democracy, that giving core political liberties priority over economic liberalism is the logical and efficient means to advance both our democratic freedoms, and our economies. It is time to push liberalism’s taboos into the light, to make it possible for political liberties to take root and flourish in economic life. We must acknowledge that workers are citizens first and foremost — that they are emancipated beings with the inalienable right to participate as equals in determining the standards that guide the institutions in which they live, and which affect their lives. This is indeed the very definition of life in a democracy.

Cited by Friedrich Hayek as expressing the core of his thinking better than he could himself, Milton Friedman penned an impressive threat to those seeking to imagine firms free from capitalist despotism: “if anything is certain to destroy our free society, to destroy its very foundations, it would be a widespread acceptance by management of social responsibilities in some sense other than to make as much money as possible. That is a fundamentally subversive doctrine.” Let us note that Hayek well understood what was at stake, as he added this comment: “unless we believe that the corporations serve the public interest best by devoting their resources to the single aim of securing the largest return in terms of long-run profits [to shareholders], the case for free enterprise [held only by capital investors] breaks down” (Hayek 1960: 116–117).

When despots fear losing their exclusive grip on power, they threaten us with total chaos. This is a classic strategy, and it is nothing less than an intellectual sham. Now that the threat of communism can no longer be branded against any and all critiques of the liberal economic model, it is time to reopen this critical debate. New perspectives are possible. Friedman has passed on, and with him, an era. It is no longer acceptable to conflate the firm and the corporation, no longer logical to see the firm as a mere instrument over which capital investors must hold absolute power: it is illegitimate and unreasonable. Moreover, in an era in which the service and knowledge economy has made human labor the firm’s richest source of wealth, it is no longer intelligent. Today, we must grant the firm the institutions it so badly needs. This begins with the acknowledgment that the firm is distinct from the corporation, that it is a central, political institution of society, in which a constant balance is sought between the instrumental rationality of capital investors and the expressive rationality of labor investors.

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8 For the most powerful and explicit argument in those — liberal — terms, see Ellerman (2010, 2013).
CONSIDERING THE FIRM FOR ITSELF, AT LAST

This book opened by stating its intent to move from analysis to concrete proposal; after all, analysis is hardly pertinent to public debate if it does not at least attempt to present itself in approvable forms. Today, despite citizens’ growing sense that they ought to have the right to participate in governing their own lives, the future of democracy is on shaky ground. The state of U.S. federal politics, climate change, health, and environmental scandals involving major transnational firms around the globe, plummeting voter participation and the rise of the Extreme Right and anti-immigrant sentiment: all of these bear witness to a pervasive – if certainly still hazy – feeling in the world that the future of democracy lies in our ability to regain control of our economy. Our future is too uncertain for academics to abdicate their responsibility to offer constructive contributions to public debate. Economic Bicameralism is one such contribution to this debate, the logical conclusion of an analytical process that examines economic and political relations in light of the history of Western liberal democracy. It offers a response to a great gap in the law: in purely legal terms, the firm as an institution does not (yet) exist (Robé 1999, 2001, 2011) – only corporate, commercial, and labor law, neither of which addresses the firm as such in its institutional entirety. They are, as a result, unable to account for the firm as it is, a political entity that strikes a balance between the interests of capital investors and labor investors, between instrumental and expressive rationality.

Until now, the strategy of the critical social sciences has been to limit the grip of instrumental rationality typical of capitalism by confining it to the economic sphere. This strategy was doomed to fail, as instrumental

that redistribution demands that workers be included in the government of the workplace. Redistribution requires recognition, understood here as the political emancipation of workers. The debate over the end of wage work will have to be reexamined (Gorz 1964, 1988) in this new context, too. It will be necessary to define precisely how, once wage workers have been politically emancipated within the workplace, the concept of wage work remains (or not) pertinent. Here, there is a crucial connection to be made with the proposal of basic income (Van Parijs and Vanderborght 2017).

Paradoxically, Habermas himself, with his luminous contributions to the field of social theory, worsened this analytic impasse by seeking to fight the pervasive grip of instrumental rationality.
potential for renewed democratic progress, as if spellbound by the corporation too. The social sciences have a central role to play in developing a much-needed political theory of the firm, one that provides an alternative to the economic theory of the firm (which perpetuates the Reductio Ad Corporacionem, as we have seen, the confusion of the corporation with the firm). Such an alternative would help in the process of recognizing the firm as a political institution central to our times and engaged with the larger – democratic – goal of society. It would help to develop the conceptual tools needed to begin the process of transitioning the firm toward democratization.

Wolfgang Streeck, an acute observer of the evolution of capitalism, predicts that Western countries will in the future be ruled by market capitalism in ever-deepening crisis as our democracies will slowly be pulled apart by their dependence on financial markets (Streeck 2013). Streeck ends his analysis of this long-term crisis with a call for a renewed project of democratization, urging us to look for the means to nurture institutional mechanisms through which society can control its own markets. Thomas Piketty (2013: 940), in his formidable effort to account for the power of capital in the twenty-first century, also suggested that the increasing levels of inequality he observes alongside the growing power of capitalists could be offset by giving more power to labor unions and granting workers representatives in the boards of corporations. In the face of unsustainable levels of inequality, the great scholar Anthony Atkinson joined in asking for a new “legal framework that allows trade unions to represent workers on level terms” (2016). It is clear that in the current debate over how to regain control over market forces, the firm is the most crucial institution of all. And yet, reduced to and overtaken by the corporation, firms, mistaken for the mere legal clothing that they currently wear, have kept off of our political radar. It is time for them to be constructively identified as the institution that they are. Firms do exist. They are political entities that must be pulled from the shadow of the corporations that currently control them. Firms, reliant as they are on both capital and labor investors, driven by both instrumental and expressive rationalities in a combination that depends on their individual histories, activities, and industries, are the locus prcapet of the contradiction between capitalism and democracy. Without firms, there are no markets; in particular, there are no financial markets. That the firm has managed to escape the scrutiny of democratic society – and of most of academia – is evidence of the force of the corporation’s sway over the firm. Observing this sway – and its extreme convenience to capital investors – is central to the economic theory of the firm. If nothing else, we hope that this book has succeeded in pleading for the importance of grasping the firm in its entirety, as well as facing seriously the consequences of this change in perspective.

In a post-1989 world in which private property is enshrined in the Universal Declaration of Human Rights, the corporation and its defenders have managed to obscure the fundamental difference between the vehicle that structures capital investments and the firm. That this vehicle exists as an option to structure capital in a free and democratic society does not give it the exclusive right to analyze, theorize, and govern the firm. The privately-owned nature of shares in a corporation cannot cancel out the political nature of the firm as an institution central to democratic society, and answerable to its aspirations and expectations. Recognizing this confusion offers renewed hope. Once we begin to consider firms as political entities falling within the purview of democratic society, they become vehicles, not of shareholders only, but of all citizens on the path to a prosperous, just, truly democratic and free society.

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This then, was the first goal of this book: to go beyond the reductionist view of the firm as corporation and offer a realistic view of the capitalist firm in its entirety, a political entity. Its second goal was to set the firm within the long-term trend of the transition of the economy into the public sphere of our democratic societies. It proposed to do so by expanding the firm’s current, monocameral capitalist governance structure so that all its investors, i.e., including its labor investors, are empowered to take part in the firm as responsible citizens capable of participating fully, through representatives, in the collective expression of their sovereignty. As a result, this book suggested that the era of corporate governance over the firm be brought to a close, so that we may fully enter the era of the government of the firm, via an institutional design aligned with the democratic goals of our societies. The bicameral government of the capitalist firm is a way to do so.

Bicameralism stabilizes the firm as an institution by placing it on its true foundations: the encounter between capital investors and labor investors, the combination of instrumental and expressive rationalities. Power must be justified in a democratic society. Government must be legitimate, reasonable, and intelligent. The government of the firm cannot be “outsourced” to the corporation, left in the hands of capital investors.

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13 Article 17 of the UDHR reads: (1) Everyone has the right to own property alone as well as in association with others. (2) No one shall be arbitrarily deprived of his property.
only. It is time for democracy to set its sights on governing global capitalism, and this should begin by establishing appropriate government of the firm, global capitalism's central institution. Actors in the workplace are waiting to experiment. Capital investors have choices to make. Labor unions and social movements have new strategies to devise. Social scientists have a complete agenda to coordinate. Our democratically elected officials have a duty to strengthen the institutional equipment of the firm, so that it can properly contribute as an institution central to our democratic life. The time has come for enfranchised working citizens across the globe to voice their expectation to play their part in governing their places of work. There is a way out of corporate despotism, and toward a renewed and sustainable democracy. History teaches us the path forward.

Philosophers have hitherto only interpreted the world in various ways; the point is to change it.

Karl Marx, 11th thesis on Feuerbach (Brussels, 1845)

That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.

Milton Friedman, Preface to the 1982 edition (1962: xiv)
A Reader’s Guide for Reflection and Debate about Economic Bicameralism

Some have questioned the value of discussing theoretically viable alternatives if they are not strategically achievable. The response to such sceptics would be that there are so many uncertainties and contingencies about what lies ahead that we cannot possibly know now what the limits of achievable alternatives will be in future. Given this uncertainty, there are two reasons why it is important to have clear-headed understandings of the range of viable alternatives.

First, developing such understandings now makes it more likely that, if future conditions expand the boundaries of what is possible, social forces committed to emancipatory change will be in a position to formulate practical strategies for implementing an alternative.

Second, the actual limits of what is achievable depend in part on beliefs about what sorts of alternatives are viable. This is a crucial sociological point: social limits of possibility are not independent of beliefs about limits. When a physicist argues that there is a limit to the maximum speed at which a thing can travel, this is meant as an objective, untransgressable constraint, operating independently of our beliefs about speed. In the social case, however, beliefs about limits systematically affect what is possible. Developing compelling accounts of viable alternatives, therefore, is one component of the process through which these limits can themselves be changed.

Erik Olin Wright (2006: 97–98)

1. Isn’t Economic Bicameralism just German codetermination by another name? It sounds like just another form of labor-management parity.

No: first, it should be recalled that Mitbestimmung is a unicameral system in which a single chamber, the board of overseers or supervisory board, is composed of an equal number of employee and shareholder representatives (hence the “co” in codetermination). In the form of codetermination
put in place in Germany this single chamber Parliament is chaired by a president appointed by the shareholder representatives and not the employee representatives (see Figure 3) who not only runs the board, but casts the deciding vote in case of deadlock. Thus, in the famous words of the German legal scholar Franz Gamillscheg (1979), German codetermination is a form of “false parity”; in reality, the shareholders enjoy a one-vote majority at all times, because one of their representatives is always able to cast the deciding vote. Economic Bicameralism requires a majority in both the Labor Investors’ and the Capital Investors Chamber of Representatives to approve any decision. This means that each chamber has equal veto power. Second, and contrary to Mitbestimmung, Economic Bicameralism is not just another form of labor-management parity in the sense that it is not a technique for managing or even co-managing firms. It is a form of government in which capital and labor investors are represented equally and weigh in on all strategic decisions on the same footing. Hence, in a bicameral firm, decisions must be approved by a majority (50% + 1 vote) in both chambers, by the representatives of both labor and capital investors. See Figure 6.

2. Unions are already stumbling blocks for firms. Giving them more power would intensify conflict and slow the economy.

Economic Bicameralism is not designed to give unions more or less power. Its goal is to change the way power is held over and in the firm. Contemporary institutions for labor-management dialogue and collective labor rights (bargaining rights, etc.), including unions, were not designed to help firms prosper by involving their forgotten investors – that is, labor investors. This, and not the intensification or attenuation of union influence, is a central goal of Economic Bicameralism. There is no reason to believe that unions, if given a new role in a fundamentally different power system, would not adapt their working methods accordingly. It would certainly seem that given their history, unions would be a fitting vehicle for labor investors’ collective representation in the firm, and would be well positioned to help prepare employees to run for election to the Labor Investors’ Chamber of Representatives. The history of capitalism shows that labor organizations have, at best, been co-opted into co-managing firms (see Part I). With the exception of a few cases of true-parity Mitbestimmung, they have never been asked to participate in the actual government of capitalist firms, and never been placed in a position of direct and practical responsibility over firms’ futures. It therefore seems logical enough that they have not, in the past, held themselves responsible for advancing corporations’ interests. But if labor investors were placed on equal footing with capital investors and could participate in decisions regarding the firm’s future, then it seems just as logical that they would behave responsibly toward their fellow employee-citizens, and hold themselves accountable for decisions affecting the life of the firm. It is not so surprising that unions acting irresponsibly from time to time under current systems of comanagement – indeed, one might even argue that they are provoked by the fact that their cooperation is something of a sham: after all, at the end of the day, all parties know that in a corporation-ruled firm, the capital investors have all the real power. If we hope to see firms thrive – from a standpoint of both economic efficiency and democratic justice – it is necessary to actively acknowledge the complementary roles of their two main constituents by involving them all equally through an appropriate institutional design. This implies guaranteeing equality to labor investors and their representatives and creating an infrastructure that fosters equitable collaboration, which is the goal of the bicameral firm’s two-chamber, representative system of government.

3. Isn’t Economic Bicameralism just another betrayal of the proletariat, in a long line of betrayals – another attempt to “help the worker” that ends up reinforcing their alienation within the capitalist system?

Economic Bicameralism is a proposal intended to function in the capitalist system as it currently exists. But it is radical departure from all known institutions of comanagement or codetermination in that it is not a structure designed by capital investors to co-opt labor investors in a frame and a set of goals chosen by the former alone. True, it recognizes the existence of capital. If it did not, it would be a form of labor-managed and -governed firms (see Dow 2003). See Figure 4. But – and here is its radical difference – it refuses capital the historic privilege it has enjoyed in the government of the firm. Economic Bicameralism establishes equality between capital and labor, providing both of them with equal power and equal political rights through their respective chambers.

Furthermore, Economic Bicameralism may be interpreted as what the Marxist thinker Mandel called a “transitional demand.” Such demands, according to Mandel, advanced toward what was “bound to become a struggle which shakes the very foundations of capitalism” (1973: 9). This idea accords with Gorb’s (1964) “achievable intermediate goals,” which would open up a “practical way forward” to democratic socialism.
Economic Bicameralism may be considered as a “transitional demand” in the sense that it offers an institutional structure that allows firms to shift from unicameral capital ownership and control to unicameral worker ownership and control. It could, in other words, help firms to transition to self-governed, or democratic firms. To achieve self-management, labor investors could purchase a corporation’s shares from its capital investors (for discussion of this specific phase, see Dow 2003). If this were their goal, they would be able to achieve it all the more effectively having honed their governance skills during the bicameral phase.

4. Economic Bicameralism seems like a half-measure. Why not a fully democratic firm that gives no power at all to capitalists?

A strong case may be made for the full democratization of firms, so that they are run by their real investors; that is, the people who invest not money – which, after all, is a medium – but their person (Ellerman 1992, 2015; Mackin, 2015; Pinto, forthcoming). As mentioned in the answer to the previous question, the bicameral firm may be seen as a bridging institution on the way to a fully democratic firm. In Europe, political bicameralism was implemented in periods of transition from despotism to more democratic forms of government, and has continued to evolve. Lately, for example, the upper chamber of the English Parliament, though initially reserved for the nobility, has been partially reformed so that some of its seats are no longer hereditary. Even a cursory look at the history of political institutions shows that political democracy did not emerge fully formed – it is the product of a long historical process that continues today. No democratic revolution has yet succeeded in producing a perfectly democratic form of government overnight. Indeed, in the political realm, we are still pursuing the democratic ideal, still trying to figure out what it means in the age in which we live. Nor should we forget that the so-called “civilized” nations of the nineteenth century did not allow all their citizens to vote. It took time to extend suffrage to all men (not to mention women), and universal suffrage did not come about in most countries until after the Second World War. Democracy is still being perfected. Today, for example, the suffrage of permanent resident aliens is a highly controversial topic in Europe: in some countries they have voting rights in local elections only; in others, they have none at all.

What is key to recall is that the history of democracies in the West includes what we call a “bicameral moment,” in which a compromise is struck between two classes (the aristocratic landholders and the people), or between two sets of interests (subnational entities and the federal state). This “bicameral moment” is just one step on democratization’s long and bumpy road to democratization, which has always been marked by compromises. The power structures of firms cannot be transformed overnight from their despotic and corporate reality into democracies. They require representative governments, structured around checks and balances that establish equilibrium among their constituent bodies. Once firms have finally been recognized as political entities, labor and capital investors will at last be acknowledged as their constituent bodies, and the work of democracy can proceed.

5. Bicameralism in firms would weaken union power. It could make unions redundant, and, whether or not this is Economic Bicameralism’s intent, ultimately cause them to disappear.

This would only happen if unions themselves refused to participate in bicameralism.

Instead of weakening them, Economic Bicameralism might well have the immediate effect of reinforcing labor organizations, since these organizations have a long tradition of worker representation and of enabling worker voice (Freeman and Medoff 1984), not weakening it. In terms of union strategy, more than three decades ago Elaine Bernard wrote words more relevant then ever: “rather than delegating workplace democracy to an abstract long-term goal, labor today needs to tap this source of wider appeal for unions by placing the extension of democracy into the workplace front and center in its vision of a new labor movement and its role in the changing workplace.” (Bernard 1996: 4) Indeed, candidates might well run for seats in the Labor Investors’ Chamber of Representatives on slates assembled by official, state-recognized unions. A bicameral firm would strengthen the role, the ranks, and the raison d’être of unions, since employee representatives would have to be unionized. Unions are central to Economic Bicameralism in a broader sense as well, in that they are responsible for coordinating workers beyond the limits of the firm, working to ensure that solidarity is maintained among workers in different firms, and to coordinate negotiations at the industry or national level, and beyond. It would be up to unions to coordinate the positions and opinions of different firms’ Labor Investors’ Chambers to promote the ideal of worker solidarity. Economic Bicameralism does not alter the architecture of collective bargaining on the industry level as it exists today in some countries; indeed, at the firm level, it may be seen as the full and
final achievement of labor-management dialogue, inspired by its roots in collective bargaining. Making bicameral firms a legal possibility would bolster workers’ rights and further their interests, as well as expanding the scope of action of union and personnel delegates in the pursuit of democratizing the government of firms.

6. If it is the only valid form of government, then Economic Bicameralism should be imposed on all firms.

This book does not claim that Economic Bicameralism is the only valid form of firm government; rather, it asserts that the corporation’s dominance over the firm is illegitimate and counterproductive. Economic Bicameralism represents one possible institutional design for the legitimate government of the capitalist firm. Tax incentives for companies wishing to implement bicameral government seem an appropriate implementation route, at least at the outset. Classically structured – corporate – firms wishing to make the transition could offset implementation costs through corporate tax reductions or exemptions. Once firms begin adopting Economic Bicameralism, then it could be promoted by taxing bicameral firms at a lower rate than unicameral corporate firms, because of their added democratic value.

As is already the case with the reporting of good practices in corporate governance, it would be useful to require corporations that have chosen to retain despotic power over their firms to publicly justify their choice and to explain – particularly with regard to their employees – why a bicameral structure would be inappropriate to their situation.

7. Economic Bicameralism is totally unrealistic in today’s globalized world – capital is just too mobile.

No, to the contrary, a multinational Labor Investors’ Chamber of Representatives in a multinational firm would help foster the global labor solidarity that is needed to create a serious counterweight to global capital. Contemporary issues such as competition among different plants in the same firm, subcontracting, and union and human rights violations would be dealt with very differently if firms were led by a Labor Investors’ Chamber of Representatives, alongside a Capital Investors’ Chamber of Representatives, rather than by capital investors alone. Economic Bicameralism is a necessary tool for fighting “divisive capitalism” (Pech 2007) and its devastating effects on workers around the world.

8. Economic Bicameralism is unrealistic because it is impractical; it would make firms less competitive.

It is true that imposing bicameralism on firms in today’s competitive environment without changing any of the ground rules of our economy might be a risky proposition. But if governments were serious enough to measure the desirable effects that Economic Bicameralism could produce in our societies – worker well-being, the health of our democracies, mindfulness of environmental impact and concern for neighborhoods, and the increased innovation capabilities and productivity that are known to result when the basis for motivation in the workplace is altered, not to mention lower absenteeism and fewer accidents in the workplace – it seems only legitimate to lower taxes for firms choosing to implement bicameral government structures. After all, in their scramble to attract capital, contemporary governments are all too happy to lower corporate taxes in exchange for smaller results than that. It is nevertheless true that if a country believes that the general interest is best served by maximizing profits for the few (in this case, shareholders), then Economic Bicameralism is not the solution.

9. Firms cannot afford to compensate both a Labor and a Capital Investors’ Chamber of Representatives.

This seems extremely unlikely. For one thing, Labor and Capital Investors’ Chambers would be limited in size, ideally ranging from 5 to 50 members depending on the size of the firm. Today’s corporations seem to have no trouble compensating – often very lavishly – the members of their boards, and there is no reason to believe that this would change were they to be divided into two chambers. Given the amount of money already mobilized to compensate board members – whose utility is relative at best – it seems difficult to imagine that firms would lack the means to compensate – and require more work of in return – the members of two chambers.

10. If firms set up chambers of representatives for capital and labor investors, wouldn’t logic demand that they include chambers for suppliers, customers, the environment, etc.?

Bicameral firms could include these parties in their government structure as long as they were counted as “constituent bodies.” It should be recalled that the two constitutive logics of the firm are instrumental and expressive. The Labor Investors’ Chamber of Representatives might include
labor investors not directly employed by the firm through a standard contract of employment, but involved in other ways, such as suppliers (in the case of a tight supply chain), customers, or users (in the case of the platform economy, where such people actually invest their person in the development of the firm). The question of who should be granted membership and voting rights in the Labor Investors’ General Assembly is an interesting issue and should remain open to debate. Workers employed by subcontractors who have no say in decisions made by the contracting firm might be included, for example (De Munck and Ferreras 2013). At stake in the question of whether or not to include them is the composition of the chambers, and thus of the way votes are accorded within the Labor Investors’ General Assembly. For instance, a bicameral firm might decide that its subcontracted workers ought to be represented alongside other labor investors, on the grounds that these persons invest their person via their labor in the firm’s life and growth, and might give them voting rights to elect representatives to the Labor Investors’ Chamber.

Beyond these specific investments, which ought to be considered in deciding who counts as a labor investor, it should be recalled that firms exist within the context of contemporary society, and therefore within contemporary society’s existing political and legal structures. Issues affecting other stakeholders can and should be dealt with through existing democratic institutions and power structures. National deliberative bodies already decide upon the legal frameworks for environmental or consumer issues, for example. Similarly, environmental and health issues should not be devolved to the decision-making power of individual firms. Rather, regulation should be imposed at the highest possible level in order to ensure a frame within which firms are able to compete, but not over decisions that impact people’s health or the environment. Bicameral firms would have limited competence in such matters, just as deliberative bodies on the municipal level of national political structures have limited competence – they are both part of a larger whole. Furthermore, issues relating to a firm’s operating environment, its suppliers, its subcontractors, its customers, and the communities affected by its physical presence are likely issues for a Labor Investors’ Chamber of Representatives to take into consideration – certainly more likely than they are now to be considered by Capital Investors’ Boards, given that people who invest their person in a firm have much more contact with all these different stakeholders, and are more often than not members of the environment in which the firm is located.

11. Having two chambers in a firm would be totally counterproductive. A firm’s efficiency comes from its ability to react quickly to demand. There isn’t time for debate in that equation. In a bicameral firm, customer needs would take a back seat to negotiations between the two chambers.

The goal of Economic Bicameralism is not to cause constant debate and discussion in the workplace – that would be conflating executive and legislative power, and confusing direct democracy with representative democracy. It goes without saying that successfully deployed bicameralism would allow a firm to fulfill its orders in a timely fashion; after all, a firm’s success depends on its ability to do so. Of course Economic Bicameralism includes a system of hierarchy and execution, and does not infringe on the managerial authority of the executive committee – this system merely needs to be justified in a legitimate fashion.

12. The idea that labor representatives would be capable of electing effective leaders (that is, members of the executive committee and a CEO) for a firm is quixotic: how could a leader elected by labor representatives hope to take a firm line and make unpopular decisions if needed, knowing that her job depended on their approval?

One has only to look at cooperative businesses with worker-elected executive committees to see that this objection is unfounded: such companies regularly make difficult decisions, including layoff plans or individual dismissals (Erdal 2011). The case of the Semler business evoked earlier in this text (1999) confirms that being appointed and evaluated by employees in no way diminishes a company director’s ability to exercise authority. To the contrary, it bolsters a leader’s legitimacy. Furthermore, and perhaps even more importantly, if this objection were valid, would it not be applicable to the democratic state?

13. Self-governed models have been tested and found unsuccessful – if a solution doesn’t work, why not let it go and move on?

This is a false statement. Many cooperatives and self-governed firms are thriving (Pinto, forthcoming). Yet at a macro level, given its relative share in the capitalist economy, no conclusions can be drawn about the success of self-governed firms: the sample size is far too small, and obvious external problems must be accounted for; for example, numerous
self-managed businesses have gone under because banks often restrict or refuse financing to nonconventional businesses. In some cases it might be argued that experiments in cooperative businesses have failed because they neglected the drive for efficiency that is the hallmark of instrumental rationality, which is fully represented in the bicameral model, and thus may continue to help foster the firm’s success. That said, it bears repeating that Economic Bicameralism is not a form of self-government.

14. The logic of instrumental rationality lends itself to rapid problem-solving in a way that expressive rationality and democratic accountability do not. Instrumental rationality is the more efficient one, since democratic logic tends to wait for crisis situations before proceeding to radical measures.

The most important factor in swift and efficient problem-solving is proximity. This means the problem-solver’s degree of closeness to the problem, access to information, and the visibility of a problem’s impact or potential consequences, as well as that of its solution. So-called problems surface more quickly in small democratic organizations. The more freely and easily information circulates, the more swiftly issues can be articulated and dealt with (see Amartya Sen’s classic study of the link between drought, freedom of information, and famine in India, which links non-democratic political structures that muzzle freedom of the press to poverty and hunger). Because economic bicameralism guarantees that the voice of both instrumental and expressive rationalities will be heard, it offers further assurance that issues of efficiency affecting the future of the firm will be dealt with in a timely fashion.

In further response to this objection, we might look at the origins of the massive economic crisis that began in 2008. The financial firms at the root of the crisis were not, to our knowledge, in any way motivated – or hindered, as the case may be – by the logic of expressive rationality and democratic accountability; to the contrary, they could be considered emblematic of instrumental rationality, ideal-typical of the corporate firm. And yet not one of them seems to have been able to prevent or foresee the mistakes that led to this massive recession, and not one of them has found a solution in anything approaching a timely fashion.

15. Executive pay is the real problem. When performance pay linked to stock value is a significant part of compensation packages, executives become even more invested in stock prices than shareholders, and even more obsessed with short-term gains. Furthermore, compared to shareholders (to principal shareholders, in any case) executives’ positions in firms are relatively temporary, giving them even less reason to care what happens in the long term. Correcting this trend would be enough to guarantee better conditions for firms, allowing them to return their focus to long-term growth, in the interests of shareholders and employees alike.

This is true, in the sense that executive pay packages have been heavily weighted to favor variable compensation (stock options, bonuses, etc.), making high-level managers overly sensitive to stock prices and shortening their perspective on the firm. These practices are the ultimate embodiment of all-instrumental ideology as expressed in “principal-agent theory,” a central part of the economic theory of the firm. But lowering the proportion of variable compensation will not clear up the problem of the unjustified heteronomy to which labor investors are currently subject because firms are being run as if they were merely corporations. As long as labor investors do not have equal say in their firms’ means and ends, firms will remain structurally biased toward instrumental rationality, and in particular toward shareholder value – and that is not only a problem of efficiency, it is also a problem of democratic justice, and vice versa.

16. The bicameral firm runs counter to the spirit of capitalism.

If capitalism is defined as a monopoly of capital owners over decisions regarding the organization of labor and the allocation of profit, then this is true. It is also true in the sense that bicameral firms might make it possible for the economic fabric of our society to evolve toward a post-capitalist era. Seen in this light, Economic Bicameralism offers a roadmap for transitioning to a post-capitalist society driven by democratic firms, which would progressively evolve from bicameral into unicameral labor-governed firms, for instance, as workers bought back shares in the corporation through an ESOP plan, which would effectively dissolve the Capital Investors’ Chamber of Representatives. With support from the states, this
transition might well lead to a flourishing economic field composed of an increasing number of self-governed firms, giving true meaning to the idea of economic democracy.

But in the sense that a bicameral firm gives equal weight to capital investors and labor investors, thus fully acknowledging "capitalist reality," then this assertion is false. This point should not be neglected or disregarded and indeed bears repeating if our argument has not yet been clear enough. To return to our analogy with English Parliament – and contrary to the communist approach to government – the English nobility was never overthrown; it retained power through the House of Lords. The nobility was simply checked and balanced by the House of Commons – and was able to check and balance the "commoners" in return. Economic Bicameralism is perfectly compatible with the economy in its current state, which is largely organized along capitalist lines. Furthermore, bicameral firms will be perfectly able to compete within a market environment composed largely of unicameral corporate firms. Furthermore, they should quickly become smarter innovators, and producers of positive externalities at all levels, by improving the satisfaction of their own workers and business partners and by their positive contributions to the common good, particularly to the democratic health of society.

17. Economic Bicameralism isn't revolutionary enough. What the world needs is unicameral, worker-controlled firms.

As stated earlier, if this is the goal then bicameral firms would be excellent bridging institutions in the larger transition (Olin Wright 2010) toward a democratic economy (a demo-nomy), since they make it possible to transition from 1 unicameral government to another, from capital ownership to employee ownership.

Again, as explained earlier on, a Labor Investors' Chamber of Representatives could take control of a firm by purchasing all its shares, if it wished to (e.g. Dow 2003; see Mackin 2015 on ESOP/employee stock ownership plans). Since the argument for Economic Bicameralism is based in part on the idea that firm government should be reasonable, the logic of checks and balances should be respected in those firms too, in particular via ensuring a place for union representation considered as "loyal opposition" (Ellerma 1988). That being said, it might be desirable to carefully maintain the role of instrumental logic in firm government. A firm is defined in large part by its economic ends (the production of a good or service), particularly as it is operating in a market. Even if traditional capital investors are no longer involved in firm government, the firm will still need to take into account the demands of instrumental rationality.

18. Economic Bicameralism denies property rights.

Not at all: bicameral firms are founded on the recognition of shareholders' ownership of capital (via their shares) in the corporation. Economic Bicameralism merely seeks to change the rights attendant on that ownership by creating a new framework in which property rights would be exercised: capital owners would no longer have a monopoly over decisions regarding the firm to which the corporation is attached and in which they hold shares. Instead, they would have the same weight as labor investors in those decisions. And since the two chambers in a bicameral firm are equal, capital investors maintain veto rights over all decisions, just as labor investors do. Economic Bicameralism does not strip capital investors of their rights; it merely grants the (same) rights capital investors (already) enjoy to labor investors. Capital investors merely lose their monopoly in corporate firms. They must share power, in order to guarantee that the government of the firm is legitimate, reasonable, and intelligent.

19. Economic Bicameralism denies the risks taken by shareholders.

To the contrary, Economic Bicameralism acknowledges the risks taken by both the firm's constituent bodies, by labor and capital investors alike. Only when we confuse firms with corporations do we lose sight of the fact that shareholders are not the only risk-takers in a business endeavor. When firms are narrowly understood as the corporation to which they are attached, it might indeed appear that capital investors are the only stakeholders taking any risk. But as soon as the firm is acknowledged in all its complex reality, as soon as it is recognized as an encounter between capital and labor investors, it becomes evident that both groups take risks when they choose to invest in the firm (labor investors through specializing their skill sets, agreeing to a single source of revenue, etc.). If this is so, then shareholders can no longer credibly claim a monopoly over firm government in the name of the risks they take, since they are not the firm's only risk-takers (Landemore and Ferreras 2016).

20. The idea of Economic Bicameralism confuses the state and the firm.

This book does argue that firms are political entities. In Part II, we reviewed the reasons why the firm should be understood as a learning
process that deploys itself in the context of contested power relations, partially organized through the legal vehicle of one or more corporations, and which must constantly work to define and redefine its own common goals. We suggested taking this as the descriptive definition for the firm as a political entity, which we then confronted with the critical intuition of democratic justice that characterizes the expectations of labor investors. This book identifies bicameralism as an escape route from despotism for any political entity on the transition path toward democratization, and concludes that if bicameralism made it possible for societies to transition away from despotism, then this same transition, applied to the corporate firm in order to shift it away from the despotic reign of capital investors, would be just as helpful to the democratic project of our societies.

At no point, however, does it argue that the firm is a state. Rather, it recognizes that both the state and the firm are potential forms a political community might take. Firms are small societies built around the pursuit of a specific goal or set of goals (and yet a firm’s goals are never set in stone; indeed, they cannot be in cases of innovation-intensive firms, but the frequent goal redefinition these and other firms require ought ideally to be undertaken by all of their constituent bodies). As we have seen, work is best understood as a fundamentally expressive experience, and firms as fundamentally political entities, because they are spaces in which power relations must strike a balance between the expressive and instrumental rationalities that bring a firm to life. That is the trait firms share with states: they must be understood, and therefore governed, as fully political entities. This normative argument is sustained by an argument in terms of efficiency: in an era dominated by a service-based and knowledge economy, firms would be able to pursue their goals more efficiently if those goals were subject to the broad—and legitimate—consent of their investors. We have elsewhere given a detailed account of the six main objections to the analogy between firm and state, and rebuttals to these objections: see Landemore and Ferreras (2016).

21. Economic Bicameralism is not feasible for multinational corporations.

To the contrary, history shows that bicameralism is particularly well adapted to complex federal entities (see, for example, the cases of the United States, Germany, and Switzerland). Bicameralism, because of its supple institutional form, which is compatible with subsidiarity, is therefore ideal for transnational firms functioning in a globalized economy.

Furthermore, Economic Bicameralism would help to address the challenge these firms pose to state powers, since multinational firms are de facto beyond the control of any individual state. Indeed, Economic Bicameralism offers a way to re-politicize and democratize globalization. Governing transnational firms bicameralism would ensure that their government was grounded in and recognized the transborder interdependence that characterizes them.

22. Economic Bicameralism would only be feasible in large firms.

True, multinational firms are the principal target of Economic Bicameralism, because their massive unicameral corporate structures, disconnected from the local, leave them totally subject to the instrumental logic of capital. Large firms are able to ignore the interests and logic of labor in cases where small, family-owned businesses, which are anchored in their communities, cannot—the latter must be more careful to take expressive rationality into account on a local level if they are to maintain cooperation within their ranks. That being said, smaller businesses would do well to address the tensions that exist between instrumental and expressive logics too, in order to build a healthy collaborative environment, which fosters both innovation and efficiency.

23. Economic Bicameralism was designed for a kind of firm that is going extinct; that is, classic Taylor-model firms whose functions are all performed in-house. Today, firms are built on outsourcing and networking; they have no fixed borders. Economic Bicameralism is outdated in our era of liquid capital.

Much to the contrary! Economic Bicameralism would make it possible to grant voting rights to categories of workers (the outsourced, the subcontracted, etc.) that have been totally forgotten by contemporary institutions for labor-management dialogue (De Munck and Ferreras 2013). It offers a solution tailored to the transformations of traditional borders that firms have encountered in the past forty years, by affirming—and potentially even expanding—today’s new borders. Economic Bicameralism is a way for all employees to participate in firm government, including those who have been left on the margins in contemporary firms, due to what Piore and Safford have called a loss of firm “integrity” (2006: 313). Economic Bicameralism seeks to actively reconstruct firms, which today have become fissured and networked to an alarming degree (see Chapter 6). Firms have played with the liquidity of capital since
deindustrialization began in the West in the mid-1960s in an attempt to escape their responsibilities toward certain groups of employees: first, toward peripheral employees (Piore and Doeringer 1971), and, as the economy has changed, through all sorts of "fissuring" techniques (Weil 2014), such as outsourcing and the transformation of the production network (Withford 2003).

It would be up to labor investors and their representatives to decide which interests they would choose to represent, and how representation would work for part-time employees (for example, half-votes for half-time work, 1 vote per worker, etc.) or for subcontracted employees (for example, representation by special delegates or special-interest groups, full integration into the electoral body, etc.). Certainly, these decisions are open to debate, and that is one of the benefits of Economic Bicameralism: to bring them out in the open. Up until now, corporations have largely worked to keep such questions in the shadows, in order to avoid discussing the issue of precisely who a firm's constituents are, and what responsibilities they hold.

24. The production regime is not only knowledge- and service-based, it is evolving toward robotization and artificial intelligence. When workers are replaced by robots, the issue you are pondering will disappear.

In some ways, this may be true. The day corporations can entirely automate their workforce, and thus their production, instrumental rationality will have triumphed. Probably, robots designed for production will not possess any sort of expressive rationality (although, given recent developments in artificial intelligence, that remains to be seen). The only investors in this type of firm will be capital investors, providing that they themselves care for and maintain the robots. Such a case is in fact the ideal type of the (so far nonexistent) firm which is a corporation and nothing more.

More realistically, this trend only highlights the urgent need to address the issue of firm government. Influential studies document that a significant portion of current jobs may be replaced by robots as soon as 2020 (Frey and Osborne 2013, Ford 2013). Setting aside the validity of these results to entertain a vision of such a future, we recall that these trends are shaped by human decisions — more specifically, by decisions usually made by investors in capital. If, as so many have argued, work is indeed a central part of the human experience, then the prospect of robotization makes debating and determining the future of work all the more urgent. The prospect of the elimination of work through robots reminds us that work should not to be mistaken for an instrumental activity, but recognized as an expressive activity that integrates citizens into the public sphere, and intensely mobilizes conceptions about justice. If the implementation of robots by firms is to become more widespread, it seems particularly important that decisions about their implementation include those who invest their persons in these firms. Indeed, from the perspective of fostering the democratic capability to make choices about one's own future, identifying ways to ensure that those decisions will be made by the people whose lives will be affected by them is crucially important. Economic Bicameralism is a way to ensure that labor investors have voice in the government of the firm, and can help to orient its future investment decisions regarding the robot/human trade-off. In the years to come, given advances in artificial intelligence and robotization, it should be made clear that when firms hire labor, they are making a deliberate choice to prefer humans over robots. Hence, it would be difficult — and indeed contradictory — to argue that human labor power should be governed as if it were robotic, within a power structure designed to represent instrumental rationality alone. Advances in robotization are a formidable opportunity to highlight the unique qualities of investors "in person" in a firm, and to offer them a fitting environment in which to work. This requires an institutional power structure that gives voice to their specific — expressive — rationality. Here again, the growing need for bicameral firms is visible, in this case, as an institutional structure able to guarantee a productive compromise between instrumental and expressive rationalities.

25. It hardly seems wise to return to bicameralism in an era when political bicameralism seems to be failing our nation-states.

While it is true that the analogy we drew between firms and nations has been a useful one, it has its limits (Landemore and Ferreras 2016). The contemporary state was cast in a parliamentary and bicameral mold that focused on class. Today, states still fail to live up to their democratic ideals. They are even in crisis. A study of the principle of bicameralism shows there is every reason to think that the bicameral model, which was created to force social compromise and to guarantee prosperous social cohesion, and which effectively initiated the movement of democratization of society, is particularly adapted to the corporate firm in its current state in the capitalist economy. But indicates how primitive the level of institutional
development in the economic field really is. Since their ongoing mission is to further the democratic ideal, it seems necessary to renew the democratic institutions currently governing our political communities as well, and to innovate in favor of improved forms of representation and participation that are better adapted to deepening the project of the democratic society. Democratizing firms – indeed, this is already a classic argument (Pateman 1970) – is one obvious way to renew and reinvigorate our societies’ democratic capabilities and political institutions.

---

2 A whole field has emerged that highlights and debates the limits of political representation from different angles, underscoring the need for renewing its perspective through, e.g., direct participation (Pateman), associative democracy (Cohen and Rogers), deliberation (Cohen), directly deliberative polyarchy (Cohen and Sabel), institutional innovation (Unger), and experimentation (Fung and Olin Wright), social dialogue (De Munck, Didry, Ferreras, and Jobert), or random selection of representatives (Landemore).


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