

# Relational Equality and Democracy in Managing Economic Enterprises

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## **Abstract**

This thesis examines whether there is a case from relational equality for worker participation in the management of work organisations. It argues that: there is a prima facie case that workers in non-democratic enterprises are subordinated in the sense that Kolodny suggests is the case for disenfranchised citizens of non-democratic states and that relational equality requires democratic management of enterprises by workers or their elected representatives; hierarchical structures in firms and their supporting ethos also foster attitudes and behaviours incompatible with relational equality designated as 'rankism', examples of this include the devaluing of the epistemic capacities of subordinate workers that also constitutes a case of epistemic injustice; non-democratic decision-making in firms cannot be made compatible with relational equality by appealing to expertise considerations since the form of authority and decision-making in the firm are sufficiently analogous to political decision-making in states and there are no compelling grounds for supposing that worker representatives would lack the competence to manage firms effectively; state intervention to require democratisation of commercial enterprises does not violate plausible standards of liberal state neutrality or undermine what is usually considered valuable about freedom of association or other basic liberties; economic theory and evidence does not suggest an economy based largely on worker-managed businesses would have adverse effects on social welfare, but does indicate such businesses are unlikely to become a large share of the economy without direct state intervention; and enhancing worker power to exit employment, for example through a Universal Basic Income, would not transform the balance of power in the employment relationship or enhance meaningful autonomy for workers more than state intervention to require most firms to be democratically self-managed.

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## **Declaration**

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, university. All sources are acknowledged as references.



## Introduction

### Context

It is generally supposed in capitalist economies that the right to manage the process of economic production is the corollary of ownership of productive property. This position is even maintained by some prominent advocates of alternative egalitarian schemes of property ownership (Thomas 2017; Edmundson 2017). Contemporary philosophical discussion by liberal-republican theorists of the normative aspects of power in the employment relationship has tended to accept the justifiability of hierarchies of authority at work and focused on how to limit abuses of power within them (Hsieh 2005; Dagger 2006; Anderson 2015). Yet the contrary claim that those who contribute their labour to an economic enterprise should, either directly or through elected representatives, be able to participate in its management, either alone or in partnership with others,<sup>1</sup> has been a persistent theme in radical political thought (Gourevitch, 2013; Guinan, 2015) and has had a wider influence on practice beyond that (Ferrerias, 2017, pp.42-8).

The principle of hierarchical authority at work appears to be accepted by many workers without much overt resistance today, at least in so far as it does not transgress minimal moral and legal norms. It is of course not generally in the interests of workers, at least qua workers, to openly question it. However, various covert forms of insubordination would seem to be commonplace and it has been suggested this indicates a divergence between the dominant ideology and workers' practical judgements (Lawrence and Robinson, 2007). Furthermore, it is relatively common for people to respond to injustices they cannot change by losing any desire to change them. It has been argued that such adaptive preferences can

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<sup>1</sup> It is not straightforward to identify a suitable label for this concept. 'Industrial democracy', in vogue as a political slogan for much of the twentieth century, may lack resonance in the post-industrial developed economies as well as perhaps conjuring an unwarranted image of decision-making by monopolistic industry-level associations. 'Workplace democracy' is most favoured in the contemporary philosophical literature (Hsieh, 2008), but elides an important distinction between the workplace and the wider enterprise as well as giving the impression that workers are present in the same physical space, a supposition increasingly dated with the rise of remote working. 'Workers' participation' can mean much or little, encompassing involvement in consultation exercises where no decision-making power is ceded to workers. 'Workers control' might include cases where workers are able to exert informal control over decisions, for example through the threat of strike action, rather than direct participation in management (Coates and Topham, 1974, pp. 43-64). 'Workers' self-management', or better yet 'self-government', (Cole, 1918) probably most accurately captures the ideal but might appear to rule out joint control of the enterprise between workers and other stakeholders as possible expressions of it.

be identified by the context of structural inequality in which they occur, the exclusion of serious consideration of alternatives and a divergence between positive expressed evaluation and negative responses to actual experience of phenomena (Cholbi, 2018). These are all features that would seem to be present in the context of hierarchical authority at work.

In the early phase of industrial capitalism in the United States there is evidence of significant resentment among previously economically independent farmers and artisans at being forced to labour for a wage for some employer or other, a condition often referred to as a form of domination akin to slavery. (Gourevitch, 2011; Gourevitch, 2013; Anderson 2017). In this nineteenth century labour republican tradition of thought, small self-governing worker co-operatives were advocated as a means for reconciling the advantages of collective production with freedom from the authority of masters. As the most advanced economies began to enter the era of mass production the plausibility of this solution declined, but the idea of democratic worker management of the process of production remained an important current within the emerging labour and socialist movements of Western Europe (Coates and Topham, 1974, pp.20-32). In the first quarter of the twentieth century syndicalist notions that the workers in each industry should both own and administer it through their trade unions were prominent, particularly in France. In Britain, the theory of guild socialism, elaborated by GDH Cole and endorsed by Bertrand Russell, sought to marry the more orthodox socialist goal of public ownership of industry with collective self-government of each industry by industrial trade unions (Cole, 1917; Russell, 1918).

While most forms of socialism have continued to profess nominal support for some version of workers' self-management of production, the idea receded in prominence between the two world wars. The great depression weakened trade union militancy and the preeminent preoccupation of labour and socialist parties became the elimination of unemployment, seen as requiring centralised state planning of the economy. Still less was meaningful worker management of production on the agenda in most of the socialist dictatorships inspired by the Soviet Union, although the demand was repeatedly raised by reformers and dissidents, such as in Czechoslovakia in 1968 (Selucky, R., pp.111-2). An important exception was the case of Yugoslavia which from the 1950s through to the 1980s had a market

economy in which state-owned enterprises were managed by elected workers' councils (Wilde 1994, pp.141-2).

Yet with the renewed trade union militancy of the 1960s and 1970s, the idea of worker management of enterprises reappeared on the political agenda in the advanced industrial countries. In Britain, the 1960s saw the formation of the Institute for Workers' Control which sought to influence the policies of the trade unions and the Labour Party towards 'industrial democracy' (Guinan, 2015). In France, the revived and radicalised Socialist Party of the 1970s advocated the principle of *autogestion* (self-management) (Sassoon, p.403). In Sweden, the Social Democrats went furthest of all by proposing a system of wage-earner funds that would over time have transferred the ownership and control of most Swedish companies to the trade unions (Sassoon, pp.706-713). In this era, greater worker participation in management was not the province of social democrats and socialists alone, but often embraced also by liberals and even moderate conservatives. Despite the weakness of the radical left, the Federal Republic of Germany developed one of the most extensive formal systems of worker participation, known as 'co-determination', although employers retain the casting vote (Ferreras, pp.48-53). Under considerably more difficult political conditions, attempts were also made by progressive governments to promote worker management of enterprises in the developing world, notably by the Allende administration in Chile (Plys, 2016).

With the general retreat of ideological alternatives to free-market capitalism from the 1980s, proposals for the further development of worker participation again receded from the political scene. Nor have they significantly revived following the 2008 financial crisis, perhaps unsurprising in view of the continued weakness of organised labour and the popular perception of the nature of the crisis as one of financial instability and lack of democratic regulation by the state. However, the general questioning of free market nostrums has opened some space for discussion of the ownership and control of firms in recent years, as reflected in policy development around the British Labour Party when under radical socialist leadership (Guinan and O'Neill, 2018) and even the campaign for the US Democratic nomination by the left-wing candidate Bernie Sanders (Bruenig, 2019).

It is also important to recognise the extent to which worker self-management is a feature of existing economies. Co-operative firms collectively owned and democratically managed by

their workers are a significant presence in many economies, employing an estimated 20 million people worldwide.<sup>2</sup> Systematic empirical review suggests worker co-operatives have at least a comparable productivity record to capitalist firms (Malleon, 2014, pp.72-3). The best-known example of a successful large-scale group of co-operative businesses is Mondragon, which in 2011 employed 83,000 people and had assets worth 32 billion Euros (ibid, p.56). Malleon (2013, p.615) also notes the substantial costs some people are prepared to incur in pursuing individual self-employment indicates the existence of significant antipathy to being managed by others. There are also a range of conventionally owned firms in the technology sector that have sought to experiment with radically less hierarchical management, such as the system of 'holacracy' practised by Ternary Software.<sup>3</sup> While how much control workers exercise in these firms can be disputed, they demonstrate a recognition of the appeal and potential motivational benefits of self-management, at least for highly educated young people. It has been argued that the impact of the internet and virtual social networks has facilitated a cultural shift in preferences towards working more autonomously and collaboratively, as reflected in the emergence of peer-to-peer production of projects such as Wikipedia (Mason, 2015).

## Literature

However, within normative political philosophy the question of the merits of worker participation in management has been subject to little exploration. In part this may be explained by its absence from the (recent) political agenda, but this by itself seems an insufficient explanation, as part of the purpose of such philosophy is surely to investigate fundamental normative questions even if they are not 'live' political issues. While perhaps the absence of an issue from political prominence can be taken to indicate lack of active interest among the population at large, there is little evidence to demonstrate any strong intellectual conviction in favour of hierarchical enterprises. As Lukes (2005) has argued, an important way in which power can be exercised is by keeping certain issues off the political agenda, or by so shaping public preferences that they are never articulated. What opinion

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<sup>2</sup> According to the International Organisation of Service and Industrial Cooperatives (<http://www.cicopa.coop/about/about-cicopa/>)

<sup>3</sup> <https://blog.signaturit.com/en/holacracy-is-it-really-hierarchical-structure-without-bosses>

surveys do exist tend to indicate substantial positive agreement with proposals for greater worker participation (Malleon 2013, p.625). Rather, the popular attitude might be more appropriately characterised as a state of resigned acceptance towards the status quo. Unlike an inegalitarian distribution of income, few ideologues seek to legitimate hierarchy at work as a virtue in itself. Explicit defences of the vertical relations of hierarchy within the firm are notably rare, with proponents of capitalism preferring to represent it as a system of horizontal relations between buyers and sellers in the marketplace (Friedman and Friedman, 1980, pp.9-37).

While right-libertarians can reject political action to restructure workplace governance consistently with their general opposition to state regulation in the economic sphere, it is surely less straightforward for others to do so. Neron (2015a) has suggested a reluctance to theorise about the organisation of production may flow from the tendency of liberal theorists of justice to follow Rawls in restricting the concept of justice to the 'basic structure' of society, comprising its fundamental institutions. While it is clear the political and legal system are part of this structure, the extent to which the economic system is remains disputed. I think Neron argues rightly that even if one wants to maintain that social justice is a property of institutions alone then how business corporations are organised cannot be excluded from this, given both their massive social impact and that how they operate is structured by a body of corporate and employment law. As liberal theories of justice provide support for general policies of redistribution and state regulation of the economic sphere, it is difficult to see why the internal organisation of business corporations would be excluded from their scope, particularly given the effects of this on income distribution itself. And the participation of most employees in these institutions cannot credibly be considered truly voluntary due to lack of alternative means to make a living.

Liberals might contend, as Thomas (2017) argues, that what needs to change are the background inequalities in ownership of productive property, or, alternatively, a strengthening of workers' exit options through state payment of an unconditional basic income as advocated by Van Parijs (1997). Their claim is that in a society with a just constitution that guaranteed people had genuine options not to work for others, workers can be regarded as having given genuine consent to authority relationships at work. Therefore, it is supposed democratisation of firms by the state would be unjustified.

Whatever the merits of these arguments, substantive views on the appropriate mechanisms for ensuring justice are surely secondary questions that should not be part of how we define the scope of a theory of justice. In our contemporary society, if people are forced to work in undemocratic business corporations it is surely worth knowing whether that is an injustice or not, regardless of whether this injustice would persist if our society were structured differently. An ideally structured society might not even be an attainable goal, in which case second-best solutions for remedying injustices might be appropriate.

A recent strand of research on firm-level governance by liberal-republican theorists has recognised that authority relations within firms are underpinned by background economic inequalities and by legislation, and so the legal system ought to be considered a form of 'private government' over the lives of employees. These theorists have focused on how this power can be so constrained as to avoid the arbitrary exercise of power over others characteristic of relations of domination (Hsieh 2005; Dagger, 2006; Anderson, 2015). However, in contrast to the historical tradition of labour republicanism, it has been criticised for tending to ignore the more fundamental question of whether an unequal relationship of authority between managers and workers in the firm is justified at all, apparently assuming it is the only tolerably efficient method of organisation (Breen, 2015; Gourevitch, 2016; Kolodny, 2017).

There was some discussion of the normative basis of worker participation in management among political theorists in the 1970s and 1980s (Young, 1979; Walzer, 1983; Dahl, 1985; Gould, 1988; Miller, 1989; McMahon, 1994) and there has been a revival of interest in the topic over the last decade, or so (O'Neill, 2008; Gonzalez-Ricoy, 2014; Breen, 2015; Ferreras and Landemore, 2016; O'Shea, 2020). While a critique of authority relations at work may be based on a fundamental rejection of wage-labour in a capitalist system as coercive or unjust (Ellerman, 2015), this makes the question of the legitimacy of hierarchical authority itself secondary and does not explain whether it would be an acceptable feature of a non-capitalist society. Though it might be claimed that being able to participate in decisions about one's work represents an inherent component of a fully autonomous life (Elster, 1986), it is not obvious that it would be unreasonable for some individuals to be willing to trade off maximal autonomy in all areas of their lives for a higher income, reduced workload or a lower burden of responsibility. Nevertheless, some have argued that there is a liberal

case for government action to alter the structural constraints that make it costly to exercise autonomy enhancing preferences in the sphere of work. For example, active regulatory and financial support for the development of co-operatives and a strengthening of the capacity of workers to exit firms through an unconditional basic income is suggested (Miller, 1989, Malleson 2013).

A more radical claim is that the democratic principles that govern the state are also applicable to other types of association such as economic enterprises, and so represents democracy in the firm as essentially being a matter of justice. Dahl (1985), for example, argues that when the decisions of any association is binding on all its members then basic principles of fairness suggest that each member has, *prima facie*, an equal right to participate in decisions about how it should be run, including which decisions should be taken collectively and which delegated to others (*ibid*, pp.56-9). Such a parallel between democracy in the state and within the firm has been met by a number of objections.

Ferreras and Landemore (2016) critically discuss six major ones:

‘(1) the objection from a difference in ends, (2) the objection from shareholders’ property rights, (3) the objection from worker’s consent, (4) the objection from workers’ exit opportunities, (5) the objection from workers’ (lack of) expertise, and (6) the objection from fragility of firms. (p.57)’

Ferreras and Landemore reject objection (1) which they interpret as prioritising shareholder returns as question begging and connected with objection (2), which they question on the grounds it is conceptually possible to distinguish control rights from other aspects of ownership. Dahl also anticipated the objection by arguing that the claims of firm shareholders are a less fundamental right than that of self-government in the workplace (Dahl 1985, pp.63-4) and it has been countered by other theorists such as Walzer (1983, pp.295-303) on the basis that ownership of the land and capital of a community does not entitle the owner to control its government. Nor indeed is the franchise restricted to investors in government bonds. Objections (3) and (4) are rejected on the grounds that the cost to workers of leaving employment, like emigration from a state, are very high and that the objections could similarly be applied to reject shareholder democracy; Dahl and Walzer also note it can be used to dismiss democracy in local government. Objection (5) and the related objection (6) are questioned primarily on empirical grounds. Dahl has also argued

against the expertise objection that all that is required is that workers have the minimal competence to decide when decisions should be delegated to others (Dahl 1985, p.118).

I would agree that these responses to the objections to the firm-state parallel are persuasive in the form Ferreras and Landempe outline them. However, they interpret objection (1) narrowly as a defence of profit maximisation. As Hsieh (2008, p.90) has noted, some forms of the objection that the state has different ends to firms are based on the wider range of competencies across different areas of life that the state necessarily has compared to a firm. A further question is why a firm's workers especially should have a voice in firm management. Some have suggested that the mechanisms of political democracy should provide the working population taken as a whole with sufficient control over firms from a basic democratic perspective (Hsieh 2008, p.94; Mayer, 2001 p.244).

Moriarty (2010) has argued that the interests of a firm's customers, suppliers or local community can be more significantly affected by a firm's decisions than its workers are, and that these stakeholders might also have a legitimate entitlement to representation in firm decision-making. Regardless of whether this argument holds true or not, there is clearly a potential for conflict between democracy at work and the democratic decisions of the wider citizenry. While in many cases, it might be feasible to address this through state regulation of economic enterprises without abridging worker self-governance, wider community oversight is surely required in the executive institutions of the state itself such as the armed forces, civil service, police and arguably in other public services and natural monopolies. Moreover, McMahon (1994, pp.262-284) argues that the citizenry might legitimately decide to prioritise considerations of economic efficiency or managerial expertise over the claims of worker participation in management, even if the latter should still carry some weight.

Those theorists that have argued there is a fundamental democratic objection to hierarchies of authority at work have also elaborated little on what conception of equality underpins this. As Neron (2015a) argues, for many decades egalitarian theories of justice focused on the distribution of material goods, and this excluded issues of organisational and business ethics from their purview. The revival of theories emphasising that what egalitarians should fundamentally object to are unequal social relationships between people (Wolff 1998; Anderson, 1999; Schleffer, 2003; O'Neill, 2008; Fourie, Schuppert and Walliman-Helmer, 2014, Scanlon, 2018) should provide a fruitful perspective for normative critique in these



areas. As yet though, with the exception of Anderson herself, there has been little engagement by these relational egalitarian theorists with such questions. And as outlined above, Anderson's critique of firm governance has been limited in its focus on the republican concept of arbitrary exercise of authority rather than the justifiability of authority relations themselves.

Indeed, in general much of the recent work by relational egalitarian theorists refrains from making any radical critique of hierarchical social relations as such, while rarely making explicit how much inequality they regard as justifiable (Baker, 2014). Yet this lack of clarity risks failing to distinguish the relational egalitarian from the commonplace liberal or conservative who concedes equality of moral respect for persons and regards substantive social equality as a defeasible presumption that nevertheless often turns out not to be an overriding consideration. The starting point for my research is to explore this tension between the demands of relational equality (which in a weak sense is arguably shared even by many who would not be regarded as egalitarians) and the widespread acceptance of hierarchical organisation of work, with potential implications for the clarification of the relational egalitarian project, as well as for how we evaluate economic institutions.

## **Methodology**

Within normative political philosophy there has been some debate in recent years about the extent to which it is appropriate for theorising to be guided by 'ideal' conceptions of justice or other ultimate ends. I do not have in mind here 'realists' such as Geuss (2008), who are sceptical that abstract universal normative concepts such as justice, rights, or equality serve any useful role in political theory other than as objects of ideological critique. Such a position seems incompatible with engaging in normative theorising at all, which must surely presuppose we can engage in a meaningful inter-subjective dialogue based on our shared, or at least overlapping, ethical understandings. It is indeed impossible to engage in critique of our existing normative beliefs from any standpoint external to those beliefs themselves, but rather than demonstrating that the enterprise is not worthwhile, this serves as the justification for the method of 'reflective equilibrium' that enables us to collectively work towards a revised, more coherent, ethical outlook (McDermott, 2008). There are of course many ways in which such a procedure might go wrong and be subject to illusion and

distortion but this only demonstrates the need for self-critical theorising that is sensitive to how our perspectives are shaped by power relations and our social roles.

Rather, my concern is with criticisms directed towards 'ideal theory' by a variety of theorists committed to the enterprise of normative political theory (Valentini, 2012). Notably Sen (2009, pp.94-105) has argued that Rawls' (1971) starting point of theorising what an ideally just society would be like is neither necessary nor sufficient for an ethical evaluation of our existing social institutions and practices against relevant alternatives. Unnecessary because it is possible for us to identify that one state of affairs is definitely worse than another without having a defined view about what the ideal state would be, and insufficient because identifying an ideal state does not by itself tell us how to adjudicate between states of affairs that both fall short of the ideal but in different ways.

Sen is surely correct that we do not need a concrete specification of what the institutions of an ideally just society would be like to make judgements of comparative injustice. However, I would suggest any such comparison must rely at least on some background concept of what constitutes injustice, which conversely must entail a standard or principle of justice that is not itself merely comparative but what Sen would refer to as 'transcendental'. There is a distinction to be made between requiring a full specification of the implications of a concept of justice and doing without the concept at all. Indeed, I would argue that not only do we not need the former to do ethical evaluation, but we do not even need Sen's comparison with an alternative state of affairs. Armed with a background concept of justice we can identify the injustices and other undesirable ethical effects produced by our existing institutions even if we have no superior set of institutions to recommend in their place, just as it is possible to conduct an empirical analysis of the negative impact that institutions may have on such indicators of welfare as health or psychological well-being.

An appeal to 'transcendental' normative concepts need not imply any peculiar metaphysical thesis. A capacity to define our fundamental evaluative concepts independently of any specification of particular institutional arrangements does not mean these principles are somehow derived from a Platonic realm and have no connection with empirical facts. The meaning of a concept of liberty or justice or equality can still be 'fact sensitive' in the sense of being grounded in general facts about the nature of human societies rather than a priori theorising, as Miller argues against Jerry Cohen (Miller, 2008), without us needing to specify

a set of particular institutional arrangements that would fully realise them. Again, while Sen is correct to argue that in making comparative judgements between institutional schemes we would need to make judgements about how to weigh the importance of different 'transcendental' principles, that does not imply that such principles are redundant. How easy it is to make these comparative judgements will also depend on the scope of the question being asked. If we are comparing one type of institution (such as the management structure of economic enterprises) along one dimension (such as relational equality), then comparisons between different institutional variants ought to be simpler to make than if we are seeking to holistically evaluate an entire society against another.

However, having identified that a set of institutional arrangements, practices or outcomes are unjust, it would seem incumbent on the theorist to at least consider what arrangements would constitute improvements. Here there are two different types of improvement that we might be interested in: (a) changes that would diminish the injustice to any extent and that we can plausibly expect it is possible to bring about without a very radical change in political circumstances and (b) changes that would eliminate, or at least radically diminish the injustice, regardless of whether there is any foreseeable political opportunity for introducing them. In the case of (b) if the political circumstances are not propitious, likelier the more fundamental is the critique of existing institutions, then we can be regarded as engaging in utopian political theory.

While such an exercise might have value in satisfying our intellectual curiosity, it might be questioned whether it meets the understandable aspiration which many have that normative theory ought to contribute to some practical purpose. I would argue that it can do so. First, it will be difficult to be confident one has established the complete set of politically feasible options for remedying an injustice without having first considered the feasibility of the complete set of all relevant options. Secondly, political feasibility is a matter of judgement which should not unduly constrain discussion of relevant possible solutions. Third, considerations of short or medium run political feasibility are not a guide to what may be feasible as circumstances change over time. Arguably we can have little confidence in any judgements about what may be possible in the very long run (Olin Wright 2009, p.15). Yet if the only feasible options for remedying injustices in the short run have little effect then surely discussion of more substantially effective options remains

warranted. Furthermore, some of the actions that we might take in the present might have the effect of opening up or foreclosing future possibilities. Sen's claim that our actions in the here and now to reduce injustice do not need to be guided by any 'end state' is unconvincing, for surely if actions we take now will have an effect on the future potential for achieving a radical improvement in society we at least need to consider these effects in our deliberation (Thomas, 2017, p.337).

Moreover, the aspiration that such injustices can be substantially overcome may have important motivational benefits for those struggling to reduce injustices in the near term. It can be more inspiring to see a struggle for the amelioration of a situation as contributing to its transformation than simply being aimed at amelioration alone. As Elster (2016, p.159) has suggested 'In many cases...the thought that one will achieve much is a causal condition for achieving anything at all.' By highlighting the distance between the current situation and one free from injustice one also underscores how serious the injustices we face are and so why they are worth struggling against. As Cohen (1994) emphasised, 'large fundamental values help to power (or block) the little changes by nourishing the justificatory rhetoric which is needed to push (or resist) change.'

Nevertheless, as Olin-Wright (2009, pp.14-15) emphasises, utopian theorising should still be limited by the constraint of viability, in the sense that any proposal for institutional transformation has to be one whose implementation could actually reliably bring about the intended benefits and sustain itself without engaging in extravagant speculation about dramatic changes in universal features of human behaviour, technology or resources. That is not to say that no changes in such features could be assumed, but they would certainly need to be justified. In this sense useful utopian theories will be 'realistically utopian' to adopt Rawls' term. However, it need not (and probably should not) be 'ideal theory' in Rawls' sense of assuming full compliance by everyone with the normative demands of justice. While it is plausible to envisage that certain institutional schemes will generate their own behavioural support given what we know about human behaviour it seems to me

unlikely there will ever be perfect alignment between them and no realistic utopian theory should rest on the presupposition there would be.<sup>4</sup>

Any theory oriented towards a radical diminishing of injustice will, however, also require a theory of transition, of how we might actually be able to achieve a viable utopia starting from our current situation (Olin Wright 2009, pp.16-20). Of course it might be that from our particular historical starting point the path to some viable societies appears closed for path dependent reasons. However, at least in the absence of acceptably just alternatives, it would seem unwise to dismiss the achievability of a given viable utopia simply for these reasons. It should still be possible to identify potential strategies for making the route to it less unlikely than it would otherwise be. This suggests the need not only for an account outlining the sort of near and medium run institutional reforms that connect with long term utopian change, but also a theory of what strategies can bring about the requisite political change in the balance of forces. As Stanczyk and Gourevitch (2017) suggest, too much normative political theory considers what reforms the state ought to adopt absent any consideration of how political support is mobilised and the role that different reform strategies might play in this.

### **Research questions**

My research therefore begins by considering whether the hierarchies of decision-making that currently exist within economic enterprises are normatively acceptable considering relational egalitarian claims about the desirability of social equality between people. My aim initially is to trace out why I believe there should be an egalitarian presumption against non-democratic managerial authority in the enterprise. I intend to develop this argument by considering possible internal objections that could still be made from a relational egalitarian perspective to the view that there is a conflict between non-democratic authority at work and social equality, drawing on the objections to democracy in firms raised in the wider literature. Due to the heterogeneity of firms and their decision-making structures, any implications of this discussion for the ideal governance of firms will necessarily be at the

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<sup>4</sup> As Thomas (2017, pp.317-322) has emphasised, for Rawls the assumption of full compliance is merely a heuristic device and should not be confused with being an unrealistic presupposition for the functioning of a society with just institutions.

level of highly general principles only, but will certainly need to specify the following dimensions of control rights over the firm outlined by Gonzalez-Ricoy (2014, pp.232-3):

‘the degree of control exercised over the firm (information, consultation, co-decision, full control), its level (task, department, establishment, corporate HQ), its range (strategic issues, nonstrategic issues), its form (direct, representative), and its agent (permanent workers, all workers).’

Following Cohen (2011, pp.225-235), it makes sense to address sequentially the analytically separable questions of whether (a) something is undesirable or constitutes an injustice from an egalitarian perspective, (b) what type of institutional changes that might imply we should strive to bring about and (c) what role the state should play in such change. It is conceivable, for example, that democratic worker management of enterprises may be desirable from an egalitarian perspective but that we might recommend against government action to mandate it on the grounds of undesirable side effects or unacceptable coercion of those with a different conception of justice. It could instead be that state action short of such mandating is justified, or even that the promotion of democracy within enterprises is not a matter for the state at all. While some might hold that only a theory that has implications for state action constitutes political philosophy proper this seems to me to be too narrow a view as surely efforts to change society through voluntary ideologically motivated action are also political. Indeed, a major focus of some prominent contemporary political movements, such as the environmental movement and the feminist movement, has been on bringing about such cultural change.

In determining what, if any, political or state-led action does follow from the apparent conflict between social equality and hierarchical economic enterprises it will be necessary to draw on economic theory and evidence about the implications of democracy in the firm for the wider functioning of the economic system, including the ownership of enterprises, and so the choice between a private enterprise economy and variants of socialism, currently the subject of significant debate in normative political theory (Thomas 2017, Edmundson, 2017). An examination of the structural and attitudinal factors (including adaptive preferences) that hinder the establishment of democratic enterprises will also be needed to inform conclusions about the legitimate extent and form of state intervention, such as whether and how far to mandate or otherwise support democracy in the firm, or to enhance the

resources workers possess to voluntarily set them up. While I will be focused on utopian ultimate end goals, I attempt to give some pointers toward strategies of reform that open up the possibilities for moving towards them.

## **Thesis Structure**

### *Introduction*

This outlines the background context, literature, methodology and research questions for the study.

### *Part 1 – Relational Equality and Democracy*

#### *Chapter 1 – Relational equality, and hierarchies of authority in economic production*

This chapter presents a prima facie case that non-democratic authority in firms embodies inequality of respect, drawing particularly on the work of the relational egalitarian democratic theorist, Niko Kolodny. It examines the nature of authority relations within the firm, demonstrating that they undermine the autonomy of workers. It argues that the relational egalitarian case for democracy is preferable to a republican account based on non-domination and that Kolodny's reservations about the extension of his account of democracy beyond the state are not compelling in the case of the firm.

#### *Chapter 2 – Hierarchies and social recognition in firms*

This chapter argues that hierarchical structures within firms promote inegalitarian interpersonal behaviours including social 'rankism' and epistemic injustice. Distinguishing between Darwall's concepts of appraisal and recognition respect, it argues that the devaluation of the capacities of workers embodied in social attitudes of superiority and inferiority at work constitute a failure of equal recognition. Relevant evidence from critical political theory and social psychology are adduced to suggest how such attitudes are inherently entangled with rank-based hierarchies.

#### *Chapter 3 – Expertise and authority in the management of firms*

This chapter explores an objection to the argument developed in chapter 1, by considering whether even relational egalitarians could accept the claim that non-democratic authority at work is justified by a recognition of differential expertise that does not embody any

inequality of respect. It considers arguments from democratic theory against epistocracy at the state level and argues similar normative considerations apply to decision-making in firms. It also outlines theoretical and empirical grounds to suppose that democratic worker-management of firms would be at least as effective as non-democratic management.

## *Part 2 – State Intervention and Democratising Work*

### *Chapter 4 – Liberty, and the role of the state in regulating firm governance*

This chapter considers the legitimate role that state action might play in democratising firm governance, considering possible liberal reservations around state neutrality and freedom of association. It argues that, aside from the implausible standard of neutrality of effects, state regulation to democratise the constitution of firms is compatible with neutrality, if democracy at work is regarded as part of the concept of justice. It is also demonstrated that such regulation does not undermine what is usually deemed valuable about freedom of association, at least as regards most commercial enterprises.

### *Chapter 5 – The economics of worker-management*

This chapter examines economic theory and evidence on the performance of worker-managed firms, and the factors that facilitate and hinder their establishment or success, to assess whether state intervention to promote them is necessary and would have beneficial effects. Systematic review of the empirical literature suggests that worker-managed firms are as efficient as other firms and that there are no strong theoretical reasons to suppose an economy largely composed of such firms would be detrimental to social welfare. However, theory and experience do suggest that only direct state intervention can bring such an economy into being.

### *Chapter 6 – Exit, and the role of the state in democratising firm governance*

This chapter considers whether strengthening worker options to exit employment, notably through a Universal Basic Income (UBI), might serve as an alternative to more direct state action to democratise firm governance, and what form such state action might take. It considers the ways in which a UBI would strengthen worker bargaining power and concludes that they fall short of making work a voluntary choice for most people. It is also argued that the freedom not to work that a UBI is supposed to provide is not an effective



substitute for the freedom to work in non-subordinated conditions. The chapter concludes by summarising the implications of the thesis as a whole for the governance of firms.

### *Thesis Conclusions*

This section summarises the contribution of the study.

## **Part 1 – Relational Equality and Democracy**

## **Chapter 1: Relational equality, and hierarchies of authority in economic production**

In the modern world over the very long term we can observe a trend for social hierarchies to be subject to challenge and attenuation. Governments now derive their legitimacy from democratic election rather than hereditary right, deference associated with social class distinctions has waned and discrimination against women and minority groups is officially repudiated. Yet hierarchy remains pivotal to the process of economic production, by which I mean all activities in which people are employed in producing goods and services for others outside of their own household, whether organised through private or public organisations.<sup>5</sup> For the majority of people a large proportion of life is spent in such activities, and in associated ones such as commuting, and they have a certain priority over other activities and goals in the sense that they often provide the necessary material condition for them. Our working lives therefore shape the course of our lives in general and our social identities. Although it is in this important domain that people in contemporary societies are ‘most explicitly placed in a rank ordered hierarchy, superiors and inferiors, bosses and subordinates’ (Wilkinson and Pickett 2010, p.250), these hierarchies are rarely the subject of critical discussion by philosophers.

The historical labour republican and libertarian socialist traditions were hostile to the principle of employment hierarchies (e.g. Cole, 1920) and there has been a persistent, if spasmodic, agitation within organised labour movements for extension of workers’ democratic management of production. Yet much contemporary philosophical discussion of the normative aspects of power in the employment relationship has adopted a liberal-republican framework which tends to accept the justifiability of hierarchies of authority at work, focusing on how to limit abuses of power within them (Hsieh, 2005; Dagger, 2006; Anderson, 2015). Contrary to this view, I suggest that relations of non-democratic hierarchical authority within firms instantiate and produce inequalities of social respect between people that opens them, at least *prima facie*, to objections on relational egalitarian grounds. While potentially providing a more fundamental case against non-democratic

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<sup>5</sup> As shorthand, I will refer to organisations engaging in such production as ‘firms’ regardless of private or public ownership or legal form

hierarchies of authority than the conventional republican account of domination this need not presuppose any teleological account of the human good.

Recent elaboration of Anderson's (1999) account of relational equality has outlined the possibility of institutional structures embodying pernicious status inequalities, regardless of the behaviour or subjective attitudes of the individuals within them (Schemmel, 2012). I argue that Kolodny's (2014) relational egalitarian objection to non-democratic decision-making – that it involves subordinating our autonomy to the will of a socially superior agent – can in principle be extended to decision-making within firms. I consider the disanalogies between the state and the firm which Kolodny highlights – concerning the role of force, exit and final authority – and argue they fail to provide compelling grounds against such an extension. This suggests there is at least a problem about reconciling non-democratic authority in the firm with equality of respect which normative theorists should attend to.

### **1.1 Whose equality? Which relations?**

Relational egalitarianism, sometimes referred to as social egalitarianism or democratic equality, is a form of egalitarianism which has undergone a revival<sup>6</sup> in political philosophy following critiques by Wolff (1998), Schleffer (2003) and especially Anderson (1999) of prominent theories of distributive equality labelled by Anderson as 'luck egalitarian', such as those of Dworkin (1981), Arneson (1989) and Cohen (1989). In contrast to distributive theorists, what is fundamentally valuable for relational egalitarians is not 'an equal distribution of non-relational goods among individuals' but rather that people relate to one another in their ongoing social relationships as being of 'equal authority, status or standing' (Anderson, 2010, p.1).

How, though, are we to define what counts as an unequal social relationship? One possibility would be to rely on behavioural indicators in the form of patterns of actions by individuals or groups which involve treating other individuals or groups as superiors or inferiors. In this category we might include such behaviours as condescension, disparagement, prejudicial discrimination, social exclusion and violence towards some individuals or groups and favouritism and obsequiousness towards others. Yet this seems

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<sup>6</sup> As Wolff (2010) suggests, contemporary relational egalitarianism marks a return to the views of nineteenth and early twentieth century socialists such as Tawney (1931). Iris Marion Young (1990) can also be considered a forerunner of the relational turn.

too limited a perspective for it does not account for structural factors that establish hierarchical relations between individuals such as disparities in power, authority, resources and opportunities. Such disparities might be seen to express or embody inequalities of status and respect between people. That this is so is recognised by Anderson when she says, “Certain patterns in the distribution of goods may be instrumental to securing such [egalitarian] relationships, follow from them, or even *be constitutive of them*. (Anderson 1999, p.313, my emphasis).

I take this to mean that remedying structural inequalities, such as the distribution of power or resources, may be required not only to promote more egalitarian norms of behaviour between people but also because such inequalities embody inequalities of status and respect. Anderson (1999, pp. 321-2) does argue, for example, that inequalities of remuneration must be capable of principled, impartial justification to all participants in the productive process, in virtue of equality of respect for their contributions to it.

It might be questioned whether structural inequalities which cannot be reduced to the judgements of any particular individuals but are the outcomes of institutional or market processes can be said to express respect or otherwise for people. However, Schemmel (2012) has developed the argument that the operation of social institutions can express such attitudes. He suggests, for example, that official discrimination by the state towards a group expresses disrespect for that group and to a greater extent than simply state toleration of such discrimination by private individuals would do, even if the total amount of discrimination in both scenarios is the same (Schemmel 2012, pp. 133-4). He maintains that the injustice of the state policy on discrimination cannot simply be reduced to the attitudes of individuals, even the attitudes of those with the power to decide on the policy itself. What the state policy is can be regarded as an independent object of concern distinct from the subjective intentions of policy makers. Such intentions might even be motivated by considerations which express a lesser degree of hostility towards the group than the policy itself does, such as electoral opportunism. Nor does the injustice depend on the subjective psychological attitudes of the group affected, such as a feeling of social inferiority resulting from discrimination. Schemmel points out that conceivably a group that is subject to discrimination might not internalise norms of inferiority, or even come to experience

greater self-esteem through challenging it, but that this would not eliminate the injustice (Ibid, pp. 135-7).

A similar view is also maintained by Kolodny (2014b, pp.299-303) who suggests that if we are concerned with feelings or behaviour reflecting notions of social superiority or inferiority then we surely also have a concern with underlying structural relations of social inequality themselves. Kolodny recognises that what might ultimately ground the value attached to social equality is challenging to elaborate, but suggests that it could stem from the consideration that,

“insofar as we are to have ongoing social relations with other moral equals, we have reason to relate to them as social equals – that is, in a way that deliberately avoids whatever asymmetries in power, authority, and consideration would constitute relations of social superiority and inferiority, motivated by a concern to avoid these relations as such.” (Kolodny 2014b, p.300).

The concept of moral equality of respect between persons that underlies this is such a fundamental element of a modern ethical outlook that it is difficult to provide an argument for it that does not beg the question, but it might be articulated in terms of giving due consideration to each person as an intentional subject with the capacity for agency (Williams, 1962). The weak premise that social equality is a defeasible presumption might well command a wide degree of support in contemporary society given how closely it draws on the consensus in favour of moral equality between persons. Arguably what distinguishes the relational *egalitarian* is the view that in practice many of the defences that are made of historic and actually existing social hierarchies are deficient, being based on claims that are empirically dubious or which fail to give due weight to equality of respect when it conflicts with other values. A social hierarchy can be said to exist where ongoing social relations between people in one or multiple domains of social life can be characterised by a ranking in which people occupy superior or inferior status. Relational egalitarian theorists have proposed a variety of dimensions in which such hierarchies occur: standing, esteem and command (Anderson 2008, pp.144-5); power and authority, wealth, esteem, and recognition (Schuppert 2014, p.113); power, authority, and social consideration (Kolodny, 2014b, pp.295-6).

In my view, we can reduce these dimensions to two essential axes of status hierarchy that we can observe in social life, hierarchies of power and hierarchies of social recognition. The former include relations of command, authority and other forms of domination while the latter encompass the degree to which people are treated as more worthy of esteem or consideration. Hierarchies of power are normatively objectionable, as well as socially irrational, where they fail to respect equally the agential capacities of people. Hierarchies of social recognition contravene equality of respect when they are not based on any reasonable evaluation of a person's actual conduct. While the concept of recognition is often conflated with respect or status, I prefer to separate the two as I believe inequalities of respect that designate people as being of unequal status are as constitutive of unacceptable power hierarchies as they are of undesirable recognition hierarchies.

This relational egalitarian concern with status differences exhibiting inequality of respect encompasses both social-identity based hierarchies and social-role based hierarchies. In the former status is ascribed to people as a result of different social groups they are identified with, for example based on social class, ethnicity or sex. In the latter status is associated with the social role that someone is performing, for example a worker or a boss. Historically, for example in caste or feudal systems, these two forms of hierarchy were more closely connected than they are today. As Anderson (2008 pp. 156-9) argues, the rise of what Weber identified as bureaucratic authority in which status attaches to positions rather than to people has made social inequalities less oppressive by restricting them to particular domains rather than being mutually reinforcing. Yet it fails to fully realise egalitarian aims because position and person cannot be wholly separated and relational inequality in any significant sphere of our social life is still problematic.

I do not consider inequality of resources as an axis of relational inequality because it does not in itself imply unequal status between people. Differences in resource levels between people living in the medieval era and today, or between Europeans and Americans prior to the expeditions of Columbus, do not concern relational egalitarians. They object to social relations that exhibit inequalities of respect and not to any inequality as such and so can be categorised as deontic rather than telic egalitarians (O'Neill, 2008). However, distribution of the product of social cooperation between people can embody judgements of unequal respect that assign people different status and give rise to further inequalities of power and

recognition. There may therefore be a case for regarding distributive hierarchies as a third dimension of relational inequality. However, given that such inequalities usually arise as a result of unequal relations of power and recognition and reinforce them I think they have less analytical primacy than the other two dimensions.

What is possibly surprising is how little examination there has been by relational egalitarian theorists of the considerations which bear on how we are to distinguish more from less acceptable forms of hierarchy. In the absence of reflection on such criteria, the danger is that relational egalitarian theorising will simply reproduce uncritically prevailing conventional assumptions, albeit those of the more progressive sections of society.<sup>7</sup> Given how radically prevailing opinions on questions such as slavery, patriarchy and racism changed over relatively short periods of time political philosophers would be wise not to take these for granted for, as Mill recognised,

“all social inequalities that have ceased to be considered expedient assume the character not of simple inexpediency, but of injustice, and appear so tyrannical, that people are apt to wonder how they ever could have been tolerated; forgetful that they themselves perhaps tolerate other inequalities under an equally mistaken notion of expediency, the correction of which would make that which they approve seem quite as monstrous as what they have at last learnt to condemn (Mill 1871, p.259).”

Yet this is not to deny that there may be trade-offs between the promotion of egalitarian social relationships and other values such as liberty or utility. Schemmel (2014) favours a liberal conception of egalitarian justice inspired by Rawls which restricts its scope to the basic institutions of society, such as the political and legal system, excluding voluntary interpersonal relationships. However, if the basis of relational egalitarianism is a recognition of a general duty to treat moral equals as social equals it is not clear how such restriction can be justified. As feminist critics have argued, such a limitation effectively excludes some of the most salient social inequalities between men and women from political consideration, as these no longer reflect legal discrimination but broader social attitudes (Exdell, 1994; Moller Okin 2004). I find what Schemmel describes as the ‘pluralist’ relational egalitarian position

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<sup>7</sup> Though Baker (2014) has argued relational egalitarians should attend much more critically to all forms of hierarchy.



more plausible. This takes relational equality to be an important value across all spheres of social life while acknowledging that it may need to be traded off against the competing claims of other values, such as liberty or utility. Contra Schemmel, I see no reason to suppose that such a broader conception of our duties of justice to other moral equals need depend on any teleological account of the good life.

## **1.2 Equality, non-subordination and democracy**

On the basis of the relational egalitarian premises outlined above, Kolodny has developed an argument for political democracy as the only decision-making procedure that does not involve anyone being subordinate to the will of superior others. Kolodny's account takes for granted the necessity in any political community for large scale cooperation with the law, which provides the normative basis for complying with what McMahon describes as 'C-authority', "the case when the authority's directives facilitate cooperation within a group of which one is a member (p.44).<sup>8</sup> Kolodny argues that in an (ideal) democratic state such compliance with authority does not subordinate us to the will of any socially superior individuals, and so involves no relational inequality. He suggests that a democratic decision must be one,

"made by a process that gives everyone subject to it equal or both equal and positive, formal or both formal and informal opportunity for informed influence either over it or over decisions that delegate the making of it (p.197)."

Kolodny (2014b, pp.309-10) defines someone as having influence in this context when their participation in the decision-making procedure can be regarded as a contributory factor in reaching the collective decision, even when their choice is not decisive in determining it. Equality of influence is defined in relative terms as having as much influence as anyone else. The extent of a person's absolute influence over a decision, which will vary with the size of the population, is not considered relevant because does not of itself generate any relational inequality. Nor does whether someone chooses to exercise their opportunity for influence matter as such, since his account does not rely on any claims about the virtues of political participation. However, Kolodny argues that relational equality does require that people's

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<sup>8</sup> The other types of authority McMahon identifies are E-authority (p.41), which is based on expertise and P-authority (p.46), based on a promise to obey.

choices are equally informed as disparities in access to relevant information or manipulation by a powerful group of the decisions of others would be incompatible with it.

Kolodny claims that only political decisions made in the above ways can count as candidates for ones where people stand in a relation of social equality to one another. For in political systems where some have greater influence over decisions which all are equally obliged to abide by, they enjoy greater power, authority and social consideration than others. In such systems, the will of some individuals is, to a greater or lesser extent, subordinated to that of others. While it remains true that in a democratic system the will of any individual is subordinate to the collective will, there is no inherent relational inequality involved in this since the individual's legitimate claim is to be the equal of any other individual singly, and not the equal of all other individuals combined (Kolodny 2014c, pp.24-7).

Kolodny does not see any inherent conflict between social equality and an indirectly democratic system of decision-making if everyone has equal influence over the choice of representatives (Kolodny 2014b, pp.317-320). He argues that it is implausible to suppose that when we delegate decision-making to others this necessarily establishes relations of superiority and inferiority. In cases of what economists would describe as principal-agent relationships, in which one party acts on behalf of another, such as when someone hires a doctor, lawyer, or financial adviser, we do not regard the agent as necessarily having superior status in the relationship to the principal. What distinguishes these cases is that the agent ideally acts on behalf of the interests of the principal and is ultimately accountable to them through mechanisms by which the agent can select and replace them. In principle this is also true for elected representatives, although Kolodny acknowledges that in actually existing representative democracies they can come to form a distinct political class regarded as having superior social status. However, presumably this arises because the mechanisms of accountability are too weak, which reinforces the underlying thesis.

Kolodny's conception of democracy is obviously built on the 'all subjected' principle that all individuals who surrender their decision-making autonomy to a collective authority should have equal influence over the decision-making of that authority. As such, it fits with the ideal and practice of equal adult citizenship prevalent in actually existing political democracies. It is not compatible, though, with the 'all affected principle' proposed by some

political theorists which suggests that the relevant constituency for political decision-making are all and only those whose interests are affected by the decisions made (Goodin, 2007).

To see why, recall that from the relational egalitarian perspective the inequalities we have reason to avoid are ongoing social relations of superiority and inferiority. Relational egalitarians are not opposed to inequalities that are unconnected with such relations; their viewpoint is a species of deontic rather than telic egalitarianism (O'Neill, 2008). However, I can affect your interests without necessarily having any superior status to you (Kolodny, pp.228-9). For example, I can play loud music to prevent my neighbour revising for an exam, but this does not represent any inequality of status between us. I can even affect the interests of those with a superior status to me, for example by vandalising an expensive car belonging to a wealthy company director. On a wider social scale, if overfishing depletes the supply of cod and haddock so that I am no longer able to afford to eat these fish, that does not mean that fishermen automatically have a superior status to me.

It is a truism that the actions of individual and collective agents generally have consequences that affect others. Even if we restrict our focus to actions that have a significant and foreseeable effect on others, we do not think, at least in the case of individual agents, that those others thereby automatically have a right to interfere with those decisions or to participate jointly in the making of them. Nozick (1974, pp.268-9), for example, highlights that a woman's suitors have no right to participate in determining which of them she will marry, nor does an orchestra have any right to prevent the retirement of a conductor on whom their positions depend. That is to say, as individual agents we each have a sphere of autonomy within which we are permitted to make our own decisions, even when they significantly and foreseeably affect the interests of others. One does not have to agree with Nozick's particular views about the appropriate boundaries of this sphere to see that any perspective that values human liberty must accept there is one. No doubt we can still have normative obligations to use our autonomy in certain ways, but we should not be forced by others to do this.

Given that individual agents are entitled to a sphere of autonomy, it can be argued that when they act in concert with others, such as through a democratic political association, we must also respect their collective decision-making autonomy. Gould (1988, pp.78-80 and 84-6) has drawn upon this notion to develop a principle of 'common activity' in which it is those

individuals who enter into association with one another under a single decision-making authority in pursuit of common objectives who should determine collectively those objectives and how they achieve them. Others outside the association in contrast have no inherent claim to participate in determining its decisions. The fact that these others may be significantly adversely affected by decisions the association makes means that there will be a normative obligation to consider these impacts, but it does not necessarily affect who is entitled to take them.

### **1.3 Non-subordination and non-domination**

However, I accept there are cases where an agent possessing a disproportionate power to affect the interests of others does give rise to social inequality. These are cases where an agent has the capacity to use that power to make it significantly more likely that someone else does what they want. It is these situations that the republican account of domination focuses on. According to Pettit's influential account A can be said to dominate B if it is within A's power to significantly alter the (perceived) payoffs to B's choices in such a way that takes no account of B's interests (Pettit, pp.53-5). Importantly, Pettit is clear that the existence of a relationship of domination does not depend on the dominated party having been coerced to enter into it (pp.62-4). Situations of highly unequal bargaining power are likely to be reflected in very unequal contractual arrangements, in which some people acquire dominating power over the interests of others and so restrict their freedom.

Although couched by republican theorists in terms of a constraint on liberty, domination can thus also be regarded as inherently involving a relational inequality between dominator and dominated.<sup>9</sup> It is important to be clear that both Kolodny's concept of subordination and domination involve us being subject to the potential for interference from others and not just actual interference, so subordination can encompass this important republican insight. A key difference, though, between a subordination and a domination account relates to the justification of power or authority over others. In the domination account authority is justified when it is constrained to act in our interests, while on a subordination account it is justified when we have equal influence over the authority's decisions.

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<sup>9</sup> It might be argued that in a state of nature approximately equal individuals could exercise arbitrary power over one another. I agree with Kolodny (2014c, pp.24-5) in doubting that the problem here is analogous to standard cases of domination.

On a domination account there might therefore be no intrinsic objection to our subjection to a benevolent dictatorship, providing that it is reliably disposed, or somehow otherwise constrained, to take care of our substantive interests.<sup>10</sup> Now republicans can and do appeal to strong instrumental reasons to believe that only a democratic system can in practice be expected to safeguard our interests, because of the accountability of rulers to the ruled. However, as Markell (2008, pp.25-7) has suggested, the lack of any intrinsic value accorded to self-government provides an incomplete account of the justification for democratic decision-making and may lead to problematic practical judgements in which efforts to constrain 'arbitrary' decision-making power have the effect of narrowing the range of decisions in which people generally can participate, a phenomenon he describes as 'usurpation'. As we shall see in section 1.4, some liberal-republican theorists such as Anderson and Hsieh do indeed make the claim that non-democratic authority in the firm is not dominating if it is not exercised in an 'arbitrary' fashion.

Kolodny highlights that many of the paradigmatic examples of domination that republican theorists point to are in fact also cases of subordination where individuals conform their behaviour to the will of a superior other, e.g. a slave owner or other master. The motivation behind formulating the domination account in such a way as not to reject subordination itself seems partly to be a concern with avoiding confusion with a positive ideal of autonomy as an important element in a substantive conception of the good life (Breen, 2015).<sup>11</sup> Yet, as Kolodny outlines, (2017, pp.105-6), the objection to subordination should be seen as in negative terms as a concern with binding our will in an unequal relationship with other people rather than a positive ideal of maximal individual autonomy, which would be inconsistent with accepting even democratic authority.

Nevertheless, I do not agree with Kolodny that the concept of subordination appropriately covers all cases that republicans define as domination. It is important to maintain a distinction between coercive or authority relationships, in which our actions must conform to another's will and ones in which others have power to influence our choices but do not determine them. The concept of subordination is useful in cases where others have the

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<sup>10</sup> Unless having an equal share in political decision-making is included as an overriding part of our interests, but if it does the account becomes the same as the non-subordination one.

<sup>11</sup> It is also reminiscent of GA Cohen's remark that some moderate social democrats seem to object to the effects of exploitation, but curiously not to exploitation itself (Cohen, 1981, p.14).

power to direct or command our behaviour but these are only a sub-set of all cases where others have the power to affect our actions. In cases outside of that sub-set the concept of domination might still play a useful role.

#### **1.4 Equality, authority and subordination in the firm**

How relevant is Kolodny's concept of non-subordination to power relations within firms? As with the relationship between citizens and the state, the actions of employees within firms are subject to the command and direction of others. It is seldom observed that there are relatively few other institutional settings where individual behaviour is subject to such direction and it would seem to raise distinct normative questions around the effects on autonomy. This power of direction is also distinctive in terms of applying only to firm employees, as while stakeholders outside the firm such as business partners, suppliers, consumers or the wider community may have their interests significantly impacted by firm decisions, in general their actions cannot be regarded as subject to direction by them. In the usual case, external stakeholders retain some choice over what action they will take in response to a decision made by a firm, even where the payoffs to these choices are altered by it.

The distinction is not an absolute one. There are exceptions where the power of firms over the payoffs to the choices that other stakeholders can make is so great that they can coerce them into particular actions (Moriarty, 2010, pp.377-382). Firm employees will also have some freedom not to comply with managerial authority in the absence of a perfectly effective monitoring and disciplinary system. Nevertheless, employees are distinct in their actions being necessarily subject to a firm's direction over an open-ended range of actions on an ongoing basis.

That the employment relationship does reduce the autonomy of employees is not universally accepted. Alchian and Demsetz argue that as individuals freely enter, and can freely exit, employment contracts, any direction of their behaviour is a voluntarily accepted exchange for financial benefit:

'To speak of managing, directing, or assigning workers to various tasks is a deceptive way of noting that the employer is continually involved in renegotiation of contracts on terms that must be acceptable to both parties. Telling an employee to type this letter rather than file

that document is like my telling a grocer to sell me this brand of tuna rather than that brand of bread. I have no contract to continue to purchase from the grocer and neither the employer nor the employee is bound by any contractual obligations to continue their relationship.’ (Alchian and Demsetz 1972, p.777)

As Cieply (2004) has observed, Alchian and Demsetz’s conflation of market contracting with management of employees within the firm discounts any normative significance of the very differences between them that underlie the explanations that they and other economists provide for why firms exist at all. For the standard arguments turn on the efficiency advantages of co-ordinating production without the need for continual re-contracting between independent producers about every significant decision. The nature of the employment contract necessarily differs from typical market contracts in so far as it involves the employee providing an open-ended commitment to follow the direction of others for the duration of their employment. The independent contractor, in contrast, only agrees to perform specific tasks for others rather than accept an unlimited power of direction. The grocer will find it in her interests to take into account the views of customers but she is not obliged to grant their requests if she finds them to be unreasonable and certainly does not take direction from them in making decisions about how to manage the business.

Although there are apparently contrary examples where contractors are nominally independent but in practice so dependent on a particular ‘customer’ as to have to follow their direction in conducting their business activities, these should really be seen as cases of disguised employment.<sup>12</sup> As McMahon (1994) has argued, the employment relationship can be defined as one of ‘subordination’ in that it involves someone surrendering their capacity to act according to their own judgements in a certain area of life:

‘to be subordinate to someone is to have her will, in a certain sense, replace one’s own as the determinant of one’s actions (McMahon 1994, p.30).’

It would be generally accepted that such substitution of wills occurs when someone is coerced into doing something. Standard accounts of coercion involve one agent, A, so altering the payoffs attaching to the choices open to another agent, B, as to leave B with no

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<sup>12</sup> The law generally recognises this. For example, in a case brought to a UK employment tribunal, the taxi company Uber lost the claim that its drivers were self-employed, on the grounds of the degree of control it exerted over their work (Oxford Pro Bono Publico, 2017).

acceptable alternative but to do what A wants (Nozick, 1994). It is difficult to sustain the claim that workers in general are coerced to work for a particular employer as there are typically other employment opportunities available, at least in the long run. A more potent claim is that most employees are effectively forced to sell their labour to some employer or other but the extent to which this can be described as coercion is controversial (Zimmerman, 1981; Olsaretti, 2004).

However, I would suggest that coercion is not a necessary condition for subordinating our autonomy anyway. What McMahon (1994, pp.27-33), following Raz (1990), argues is that such as substitution of wills can also be observed in non-coercive relationships, such as authority relationships, defined as ones where the subordinated party treats as legitimate the directives of others. Raz's account is that in an authority relationship the person subject to authority does not treat a directive as a consideration to be weighed in the balance when deciding what to do but rather as a 'pre-emptive reason' for action that overrides their own all things considered judgement of relevant reasons.

It might be objected that while people who accept the legitimacy of a given authority normally think they ought to comply with its demands, there are exceptional cases in which they feel released from this obligation. For example, someone who is usually law abiding might justify engaging in civil disobedience in restricted circumstances. This might suggest that the obligation to obey a legitimate authority is simply a strong consideration in their deliberation and that it does not displace the consideration of other reasons. Yet the existence of these exceptional cases does not refute the account that in the normal course of events they accept that the directive from authority ought to take precedence over other reasons. As Raz has argued, it is difficult to make sense of the concept of authority unless it obliges us to perform actions, at least within a certain range of cases, regardless of any overall judgement that we might make independently on the merits of the issue (Raz, p.136).<sup>13</sup>

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<sup>13</sup> McMahon does make a distinction between coercion and voluntary acceptance of subordination to authority, in that he does not believe the latter entails the loss of a person's autonomy (pp.33-8). I think he is right that it does not fundamentally efface someone's agency in the same sense, however I think it is reasonable to label the narrowing of scope for independent decision-making that is involved as a loss of autonomy.



Might the situation of employees within firms be regarded as analogous to the principal in a principal-agent relationship who has voluntarily delegated decision-making power to others? This does not seem possible to maintain. Recall that, for Kolodny, such relationships are distinct from subordination because the agent ideally acts on behalf of the interests of the principal and is ultimately accountable to them for this through mechanisms by which the agent can select and replace them. In the employment relationship, by contrast, while the individual does often have a choice in which company to work for they have no say in who is to manage them, despite the importance of work in their life overall. And, critically, the interests of employees and firm management are often likely to be opposed, as the latter are accountable to owners whose interest in profitability requires that the costs of employing labour are minimised.

This normative analysis of authority within the firm has similarities with that outlined from a liberal-republican perspective by Hsieh (2005, 2008), Dagger (2006) and Anderson (2015, 2017) who recognise that existing frameworks of corporate and employment law grant wide ranging discretion to managerial authority within firms. While they regard such discretion as justified on economic efficiency grounds, they also see that it permits the arbitrary use of managerial power against employees that is characteristic of a relationship of domination and which cannot be completely removed by strengthening exit opportunities or external legal regulation. Their proposed solutions therefore include a commitment to a 'workplace constitutionalism' in which workers are provided with voice mechanisms by which to contest management decisions. Other republicans (Gonzalez-Ricoy, 2014; Breen, 2015; O'Shea, 2020) have suggested it is unclear why they think these mechanisms will constrain employers and managers to act consistently in workers' interests since they will still have the final say in any decisions.

More fundamentally, as a relational egalitarian Anderson at least should surely find any relationships of power and authority where the will of one person is subordinated to that of another to stand in need of justification. In response to questioning from Kolodny (2017) on this point, Anderson acknowledges that her concern with firm hierarchy is indeed partly grounded in an intrinsic concern with relationships involving subordinating one's will to that of another, as well as with the capacity for arbitrary use of power in such relationships

(Anderson 2017, pp.126-131). She explains her lack of advocacy of democracy in the firm on the grounds that,

‘there are enough disanalogies between state and workplace governance that our experience with democratic states do not give us enough information about what arrangements are likely to make sense for the workplace...A priori arguments cannot settle what a just constitution of workplace governance would look like’ (Anderson 2017, pp.130-1).

While Anderson is clearly right that the question of firm governance cannot be settled ‘a priori’, without reference to any empirical facts, this is true of any recommendations for how we might respond to the issue of domination at work, or even how we understand the problem. Her own account of domination at work is indeed underpinned by illuminating empirical detail. The appropriate question, surely, is whether political theorists can, on the basis of plausible normative and empirical assumptions, reach reasoned conclusions about the general principles for firm governance. It is not as if we are completely lacking in historical or contemporary examples of democratic worker-managed firms on which to formulate general empirical beliefs about them. The detailed mechanisms through which democratic control is realised may indeed require practical experimentation but the theorist need not specify these, as a variety of arrangements may be compatible with them. Analogously, the theoretical advocate of the ideal of political democracy need not think the ideal specifies any particular answer to questions around appropriate electoral systems or unitary versus federal decision-making.

## **1.5 Non-subordination and firm governance**

### *1.5.1 Firm-state disanalogies: exit, force and final authority*

Kolodny himself is unsure about the implications of his conception of democracy for non-political associations (Kolodny 2014b, pp.303-307). He accepts that in principle any association in which people are subject to authority will have the features of subordinating some to the will of superior others unless all have equal influence over decisions. Indeed, he regards it as a strength of the account that it can serve to explain why people are often concerned about relationships of subordination in society as a whole, as well as in relation to the state. Nevertheless, he suggests three reasons why people may be right to be

especially concerned about the state being democratic. In my view, two of these do not provide compelling considerations for distinguishing the case of the state from the firm while the third only shows us that democracy in the state has a higher degree of priority and not that democracy in the firm does not matter.

The first of these reasons given by Kolodny I shall consider is that people cannot usually escape being subject to state decisions, as the cost of exiting its jurisdiction is typically high. It is far from clear to me that there is any kind of absolute distinction between the state and the firm in this respect. As it is almost always physically possible for individuals to exit states through emigration the complaint is the very high social and financial costs usually involved in doing so. However, an individual who gave up their employment would also often face such costs, and these will not always be lower than the costs of emigration as it may involve destitution. Indeed, sometimes people emigrate precisely because it is a better option than destitution. Obviously moving between employers, or countries, *need* not entail any net costs at all but this cannot usually be effected in either case immediately and at will. While I would accept that when alternative employment opportunities are available the typical costs of exiting a particular job will be less than the typical costs of emigration this difference can be seen to be one of degree rather than kind and dependent on a range of contingent legal, geographical, cultural and linguistic factors influencing the ease of migration.

Moreover, as I have sought to outline, there is an intrinsic relational egalitarian objection to the asymmetry of power involved in any relationship of subordination. While background factors such as lack of alternatives are relevant in explaining why such relationships arise, it is not necessary to invoke these to provide a normative objection to the inequality that is constitutive of the relationships themselves. We would not find slavery acceptable just because someone had voluntarily sold themselves into it, nor a political dictatorship simply because it allowed emigration.

From a pluralist egalitarian perspective the fact that non-democratic associations may be regarded as inequalitarian or even unjust need not entail that they should be suppressed. Considerations of freedom of association may tell against this. However, freedom of association is not generally taken to be an absolute value. On the basis of promoting equality of opportunity UK anti-discrimination legislation applies both to employers and, in

some respects, to associations such as private members clubs as well. Religious institutions are granted exemptions from anti-discrimination legislation, presumably on the justified grounds that freedom of religion is particularly valuable.<sup>14</sup>

Trade unions in the UK are even required by law to operate democratically, for example through following set procedures for electing officials and holding ballots for strike action and political donations, despite the facts that closed shop agreements between unions and employers are banned and so union membership is entirely voluntary and unions cannot sanction members who do not abide by the results of strike ballots (Howell, 2007 pp.137-140). In the case of firms, the default constitution for their governance is established by a framework of corporate law and the position of employees in relation to managerial authority by employment law (Anderson, 2015).

Establishing that the rules of operation of certain forms of association are normatively objectionable would still be of importance even where we would not want the state to intervene as it can guide our conduct as private citizens and members of such associations, for example by using any influence we have to change their rules of operation, or by establishing new forms of association. Where the relational egalitarian objection to subordination would seem to have particular force, and might most clearly support a case for state intervention, is where the only viable alternative option to exiting one subordinate relationship is to enter another, as is typically true for people who depend on a wage or salary for a socially acceptable standard of living. The costs, risks and barriers to alternatives such as self-employment or starting a co-operative will prohibit even pursuing these options for most people and, given the high rate of new business failure, they are unlikely to be successful in the attempt.

As Anderson (2017, pp.37-40) suggests, this is akin to a world in which one can move freely between dictatorial states, but the only democracies are in remote and inhospitable parts of the globe. Anderson therefore rejects the notion that workers have a meaningful exit option and argues on this basis for state regulation of the employment relationship (Ibid, pp.58-71). Anderson is right to identify the notion that workers possess a meaningful freedom to

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<sup>14</sup> The UK Equality Act 2010 can be accessed at <http://www.legislation.gov.uk/ukpga/2010/15/contents>

exit as the basis for the right wing ‘libertarian’ position that such things as anti-discrimination legislation and other legal protections for workers and their unions are unjustified. Yet those like Anderson who want to defend the conventional (European) view in favour of such legislation cannot therefore easily make use of the argument that workers have the freedom to exit as a basis for rejecting democracy in the firm.

It is sometimes suggested that generous unconditional state welfare support, for example in the form of a Universal Basic income (UBI) that provided people with a socially acceptable standard of living, could provide people who are not independently wealthy with a genuine option to exit (Van Parijs, 1997). However, this depends on whether we are concerned with freedom to exit from a particular relationship of subordination or from any such relationship. While access to an unconditional basic income could make it easier for workers to turn down particular jobs and so strengthen their bargaining power in the employment relationship over matters such as wages and working conditions what it cannot do is provide a genuine alternative to a life of employment in hierarchical firms for the majority of the population.<sup>15</sup>

It is important here to recall the essential role of labour in the productive process that sustains our societies. In order to generate the tax revenues to finance a basic income, the large majority of people would need to continue in employment. Therefore the exit option is only viable if a small minority take it up. Furthermore, in order to ensure that this was the case the basic income provided could only be offered at a level that maintains substantial financial costs for most workers in indefinitely giving up employment. As work would thus remain a central part of most people’s social identity and sense of self-respect, the non-financial costs of not working would also continue to be large. If we really are, as some assert (Srnicek and Williams, 2015), on the brink of a techno-utopian future in which all work can largely be automated then this argument would lose its relevance but the evidence for this is not compelling.<sup>16</sup>

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<sup>15</sup> It might help indirectly by allowing workers to bargain over control of the firm, or by making it easier to finance co-operative ventures, but this presumes the desirability of firm-level democracy. I am not here arguing that basic income might not be means to firm-level democracy, but that it is not an alternative to it.

<sup>16</sup> That is not to say that substantial reductions in working time are not feasible but the most equitable means of achieving this would surely be for everyone to work less rather than for some to continue to work as long as now and others to subsist on a UBI. It should be noted that shareholder run firms (in the absence of union

Suppose, though, we grant that a generous Universal Basic Income is both financially viable and would at least allow people without private independent means the theoretical option for indefinite exit from hierarchical working arrangements, as long as not too many actually did so. This still only allows people to choose between working for a hierarchical firm or not working at all and denies to most a viable third option of working in democratic firm, which they may prefer over those two alternatives. I return to this question of exit and UBI in more depth in chapter 6.

The second reason given by Kolodny why democracy is especially important in the state is that state decisions are ultimately backed by the threat to use physical force. Again, I would suggest this does not sharply distinguish the authority of the state from that of employers. For supposing, as has sometimes happened, a group of workers decides to take over the running of their firm by refusing to follow managerial orders and occupying their workplace. In this case, their employer can call upon the forces of the state to ensure the workers are removed from the workplace, by physical force if necessary. Similar actions can also be taken in cases of individual insubordination. While such workers may be held to be in violation of the terms of their employment, this surely demonstrates the strict limits of their autonomy under it. In any case, there is no requirement on employers to terminate the ongoing employment of such workers prior to using force against them.

The strongest of Kolodny's arguments for why democracy in the state is especially important is that the state is (usually) the final decision-making authority, capable of regulating the decision-making powers of all other actors. Therefore, opportunity to influence state decisions is more valuable both intrinsically and also as a means to moderate inequalities in other social relations. While I agree with this reasoning for why democracy in the state is a higher priority than democracy in the firm, it does not demonstrate that the latter does not matter. If we were citizens of China, then we would be likely to have sound practical reasons to focus our attention on democratising the state rather than the firm.<sup>17</sup> However, as Kolodny's argument itself suggests, part of the case for political democracy is that it then allows us to democratise other areas of society and it would be curious to then imply that

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pressure or state regulation) have no incentive to transform productivity gains into reductions in working time while democratic worker-managed firms would have.

<sup>17</sup> Although this may depend on which is politically easier to achieve.

this power should not be used. Local authorities, at least within a unitary state, cannot be regarded as final decision-making authorities either, but democracy is commonly thought to be important within them (Dahl 1985, pp.113-115; Walzer, 1983 pp. 295-303). The reason here cannot be exit costs as the costs of exiting local jurisdiction are typically much lower than the costs of exiting the state and more often comparable to the costs of leaving employment.

#### *1.5.2. Democratic control of firms by the state or by their workers?*

The argument that political democracy is a sufficient condition for non-subordination might conceivably take a different form. Given that the state can set the rules within which firms operate it should be feasible in principle for working people in subordinate positions within firms, considering they represent the majority of the population, to use their political influence to ensure regulations are enacted that prohibit some employer actions and also to place positive duties on them.

Yet the extent to which this actually occurs is likely to depend on the degree to which equality of political influence is formal or substantive. The US constitution, for example, may provide a rough approximation to formal equality of influence for voters to influence economic regulation but in practice there is evidence to demonstrate that legislation enacted overwhelmingly reflects the viewpoints of the business class rather than the wider electorate (Gilens and Page, 2014). Some of the sources of this are not difficult to identify such as the fact that wealthy business owners are the predominant financiers of the major political parties and of the important news media organisations. As Anderson highlights (Anderson 2017, pp.39-40), most employees in the US can also lose their jobs or suffer career disadvantage for making use of their political rights in ways which are disapproved of by their employers, which may inhibit them from doing so, particularly given limited social provision of income support, healthcare and other services.

In many other capitalist democracies substantive inequalities of influence are much less extreme, but the fact that major private firms control the levers of investment on which the living standards of the whole population depend can still result in the views of employers having disproportionate influence over political decisions, due to the fear of investment strike and capital flight. An expansion of worker management of firms would provide one

means of overcoming this and achieving a situation more nearly approximating a substantive political democracy (Schweikart, 1978). However, this by itself does not by itself provide a justification for firm-level democracy, as the same result might be achieved through other means, for example large scale nationalisation of firms or measures to ensure the private ownership of capital was more widely dispersed among the population. The choice between these depends on a wide range of economic and social considerations that need not detain us here.<sup>18</sup>

My argument is that, even if we lived in a substantive political democracy, Kolodny's relational egalitarian conception of democracy has a bearing on firm-level governance structures. In any market economy with independent firms, any regulation imposed by the state must preserve an extensive area of managerial discretion over firm decision-making unless it is to seriously impair their efficient functioning. As previously mentioned, economic theories rationalise the existence of the firm in terms of the superior efficiency of an authority having the flexibility to co-ordinate decisions over continual negotiation between independent agents (Coase 1937; Alchian and Demsetz, 1972; Williamson, 1981; Hart and Moore, 1990). State regulation of firms, collective bargaining by unions over terms and conditions and forms of worker representation in firm decision-making structures that still leave final control with employers can all help greatly to protect workers from particularly harmful managerial decisions. However, none of these alter the basic character of the employment relationship as an authority relationship in which workers are subordinate to the ongoing and extensive discretionary decision-making power of superiors.

Now, a democratic government could seek to exercise ongoing influence over the complete range of firm level decisions itself through nationalisation, which would make firm managers accountable to them. Public ownership is in theory compatible with a market economy in which governments require firms they own to compete (Nove, 1983) and so this cannot be immediately dismissed as intolerably inefficient. It might be argued that in such a system workers would not be subordinated to a superior agent because their managers would be accountable to elected politicians who are in turn accountable to them. Yet general

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<sup>18</sup> For a recent statement of the case for democratic state socialism see Edmundson (2017) and for dispersal of private ownership of productive assets, Thomas (2017).



experience suggests that workers in the public sector do not perceive their relationship to managerial superiors as being fundamentally different from those in the private sector.

I think the reason for this is that the chain of accountability is too long and imperfect for workers to feel they can exercise meaningful influence over the decisions of their managers. In the public sector we generally have an accountability chain that runs:

General electorate: Elected representatives: State Officials: Public Sector Managers

Arguably with a very extensive public sector, even the elected representatives will find it difficult to effectively monitor and hold to account the managers of public firms and delegate this increasingly to officials, which is likely to be detrimental to efficiency. Leaving that aside, it is unlikely that workers, in their capacity as electors, will be able to exert much real influence over most of the decisions of firm managers. There seems to be a parallel here with local government in that a system in which a democratically elected central government appointed officials to run local areas would probably allow voters less meaningful influence over the delivery of services than the more commonly adopted system of directly elected local government.

The issue of the preferability of democratic public control or workers' control of industry was the subject of much debate among socialists in the early twentieth century. GDH Cole's argument for workers' control rested on a scepticism that a set of representatives elected by all people to decide on all issues would be able to be effectively held to account. Genuine democracy therefore required a plurality of decision-making bodies representing different interest groups (Cole 1920, pp.82-90). In contrast, the Webbs argued that workers' control would fail to take sufficient account the general will of the electorate as a whole in organising production (Webb and Webb, 1920, pp.154-163). Both Cole and the Webbs were operating with a model which assumed that competition within industries was largely harmful, which few would subscribe to today. Arguably this heightened the potential conflict between workers' control and the public interest, as the former would mean giving groups of workers monopoly power. However, Cole's claims about workers not being able to exert real democratic control at work through parliamentary elections seem to me to be borne out by the experience of twentieth century nationalisation. Conceivably, a competitive market economy with regulation of the activities of worker-managed firms in

the public interest could realise both democratic control at work and the democratic will of society as a whole.<sup>19</sup> Although in areas which are vital to the operation of political democracy itself, such as the armed forces, civil service and law enforcement, and in other sectors where market competition is problematic and the wider public interest is particularly strong, such a reconciliation would be less straightforward to achieve.

Assuming that, even in a democratic state, employees subject to hierarchical authority relations within a firm remain subordinate to the wide ranging discretionary power of firm managers means that in this respect they are in an analogous situation to the individual in a non-democratic political jurisdiction. While decision-making by firms is in some ways of more limited scope than the state's, the degree of detailed control of individual activity that it may involve is arguably greater: at work most people are told, sometimes in ways that leave little scope for discretion, what to do each day whereas the law simply permits us to do anything that is not explicitly banned (Anderson, 2017, pp.63). To achieve relational equality in a firm would, on the face of it, therefore require it to have a constitution which provided for all workers within it to have an unalienable equal share in ultimate decision-making power, or an equal vote in the election of representatives who make the ultimate decisions. The experience of worker co-operatives demonstrate that firms organised on a democratic basis, of varying size and type of activity, can operate successfully in a competitive market economy and so it not obvious that there is any trade-off involved between democracy and living standards.<sup>20</sup>

Direct democracy only seems feasible in firms small enough to permit face-to-face deliberation on major issues and reducing all firms to this size would likely be very costly. While to some extent the size of large firms may reflect tendencies towards monopoly and managerial aggrandisement, there are undoubtedly genuine economies of scale in mass production. A representative system of governance, while falling short of complete equality, is the only plausible form of democracy for larger firms. It might be, as Cole (1920) and Pateman (1970) argued, that in the context of the firm some of the problems experienced in

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<sup>19</sup> As argued, for example, by Schweickart (2011).

<sup>20</sup> Systematic empirical review suggests worker co-operatives have at least a comparable productivity record to capitalist firms (Malleson, 2014, pp.72-3). The best known example of a successful large-scale group of co-operative businesses is Mondragon which in 2011 employed 83,000 people and had assets worth 32 billion Euros (Ibid, p.56)

national politics with the accountability of representatives would actually be less serious as people will be dealing with issues closer to their everyday experience. They also saw a case for greater decentralisation of decision-making within worker managed firms to reduce the distance between workers and representatives.

We do not face a particularly difficult boundary problem when determining who should count as a member of a firm. We can identify those who directly contribute to the firm's activities as co-terminous with the directly employed workforce subject to decision-making authority within it. There may be marginal cases where it is not clear whether someone is subject to the firm's authority or not, as in the case of contractors, but this seems unlikely to undermine the distinction as such. External stakeholders, such as a firm's customers or local community, would have no inherent claim to participate in firm-level decision-making since they are not subject to the firm's authority. The participants in a democratic economic enterprise can be regarded as a freely associating collective agent which, we argued in our discussion of the all affected interests principle in section 1.2, are entitled to decision-making autonomy.

This does not mean that the sphere of autonomy that individual and collective agents possess within a state is unbounded. By definition, agents cannot be allowed to take actions that infringe on the legitimate autonomy of one another. As subject members of a wider association agents are also legitimately bound by its common authority. These authorities, if democratically constituted, have the right to define the appropriate limits of the autonomy of their members based on normative judgements. The state, for example, may decide to regulate the behaviour of individuals and firms on grounds of justice, utility or non-domination. Now, in most of these cases, the rationale for regulation will relate to the impact that such behaviour has on others. The appropriate limits of autonomy for collective agents might be drawn more narrowly than for individuals, for example because of the greater potential impact of their behaviour. The protection of the wider interests of consumers, suppliers, and citizens is a sound justification for state regulation of firms, including regulation to ensure the existence of competition between them.<sup>21</sup>

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<sup>21</sup> The regulation of action by an association on the basis of the normative principle of utility does not imply endorsement of the 'all affected interests' principle as the basis for who has the right to take decisions.

## Conclusion

In this chapter I have argued that hierarchies of authority in the firm intrinsically embody structurally unequal relationships in which employees surrender their autonomy to the superior will of another. This does not depend on any claim that employees are coerced to enter into such relationships, but rather on the nature of the relationships themselves which grant wide ranging discretionary power to firm management to direct the actions of employees. While background conditions of unequal bargaining power are relevant to explaining why such relationships arise, it is not necessary to invoke these to articulate a normative objection to them. I have argued that the concept of subordination provides a better articulation of what is objectionable about being under the directive power of others than that of domination. I have suggested that Kolodny fails to establish that his relational egalitarian argument for democracy as non-subordination is only applicable to the state and that without democratic worker management of firms, democracy in the state will be insufficient to alter the character of the employment relationship so that workers are not subordinated to discretionary managerial power.

Importantly, this *prima facie* relational egalitarian objection to non-democratic authority in firms does not depend on any claim that it is unjust or exploitative for members of a wage-dependent class to be forced to sell their labour to capitalists. In principle it is a question of relevance to the public sector in mixed economies, to a socialist state, to a capitalist system that provides an unconditional basic income, or to a regime where ownership of capital by employees themselves is widespread, for example through mutual funds. It would even apply where workers owned their own firm exclusively through such a fund, if they had little or no control over it. Though, of course, valid justifications for authority may turn out to be available in some of these cases and not in others.

Before it is possible to reach any concrete conclusions about the desirability of generalising worker-management of firms across the economy there are three sets of (related) issues that require examination. The first is whether there are any compelling arguments against the view that relations of power, authority and consideration in hierarchical firms do embody a relational inequality, at least of an objectionable kind. I take it, for example, that

there are cases, such as the relationship between adults and children, where not treating someone as a social equal does not indicate any lack of fundamental respect for their moral worth. This might be generalisable to other cases where some form of differential expertise is involved. The second concerns the extent to which we are able to generalise from the successful operation of specific worker co-operatives to the desirability of an economic system in which workers' self-management was commonplace. Would such a system have undesirable economic or social consequences and how significant are they? Is worker self-management appropriate for all types of economic activity, or might this be overridden by other considerations such as the interests of the wider society? The third question relates not to the desirability of workers' self-management as such, but to the question of what role the state should play in supporting it. Does it respect our equal autonomy best by mandating it, facilitating it or taking no action?

## Chapter 2: Hierarchies and social recognition in firms

Previously, I have suggested that we can categorise social status hierarchies into two broad types: hierarchies of social power, including unequal social relationships based on authority or domination, and hierarchies of social recognition, in which some people are treated as worthier of social esteem or consideration than others. I went on to argue that, at least *prima facie*, the hierarchical power structures in non-democratic firms inherently embody an inequality of respect for the agential capacities of those subjected to their decisions. Here, I will outline additional concerns about these hierarchical power structures in terms of the consequential effects they have in producing inequalities of social esteem and consideration referred to as rankism.<sup>22</sup> An important question is whether we can make a distinction between rankism and justified distinctions of competence and achievement, which might be related to rank. I suggest that Darwall's (1977) analysis of the difference between recognition respect and appraisal respect is relevant here and draw on the work of Honneth and Fraser in exploring the concrete social implications of recognition respect, particularly how it limits and conditions appraisal respect through imposing equal opportunity criteria. On this basis I claim that rankism at work represents a failure of recognition respect and explore how it might be combated.

In one way, these recognition concerns might be judged to be less fundamental than my previous argument about unequal power relations in the firm as they do not involve any complaint against firm authority structures themselves, but rather the behavioural norms that they engender. It might be argued that people possess a normative responsibility for their actions and therefore we should focus on reducing 'rankist' attitudes rather than institutional change. However, it may be what O'Neill would call a 'deep social fact' (O'Neill, 2008, pp.131) that certain forms of social relations are practically inseparable from particular social structures, even if they may not literally compel anyone to behave in one way rather than another. And, indeed, I will suggest that research in social psychology and common experience provide us sufficient grounds to conclude this is the case for the way in which people treat one another as worthy of consideration and esteem within hierarchical

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<sup>22</sup> The term originates with Fuller (2001).

authority structures. While hierarchy cannot be eliminated from working life entirely, we therefore have justified reasons for striving to diminish its role.

One notable form that rankism takes in people's working lives is a discounting of the potential intellectual contribution that subordinate workers could make to the productive process. I argue that an amended version of Fricker's concept of epistemic injustice is relevant to these cases, as they involve a failure of adequate recognition for the epistemic capacities of others. I argue it is possible to distinguish in principle between legitimate expertise and epistemic injustice at work and suggest how we might attempt to reduce the prevalence of the latter.

## **2.1 Equality of respect and social consideration**

For the relational egalitarian theorist Niko Kolodny (2014, pp.296-7), what is constitutive of problematic inequalities of social consideration is that people systematically relate to others in such a way as to indicate that some are of superior or inferior status. While this may appear tautologous, Kolodny plausibly believes we all have an intuitive, indeed fine grained, grasp of what sorts of responses to others exemplify this. They would certainly include forms of exaggerated courtesy, flattery and ingratiating and submissive behaviour towards social superiors and denigrating, dismissive, domineering and abusive behaviour towards social inferiors.

Kolodny is surely correct to risk tautology by identifying that what is important is the social attitude expressed by such behaviours, rather than any particular set of behaviours as such. For it is possible for those who are perceived to be of low social status to denigrate and abuse their superiors, perhaps as a way of letting off steam, without thereby changing the social relations between them. Conversely, those perceived to have high social status may engage in flattery and mock courtesy towards others regarded as inferior and indeed this is commonplace in contemporary societies where open displays of superiority are frowned upon.

Is there anything more that may be said to isolate some essential characteristic of behaviour that constitutes unequal social consideration? I would suggest that we might see it as consisting of a pattern of inter-personal behaviours which are explicable only in terms of regarding some people's ideas, feelings, intentions, actions or interests as counting for more

or less than others, where there are no justified grounds for doing so. It is surely a matter of common human experience that those at the bottom of any power hierarchy, not least within firms, do receive less 'social consideration' than those at the top. It is possible to conceive of a philosophically sophisticated visitor from Alpha Centauri, lacking any sociological awareness of human society, who might question why a certain division of labour between managerial and non-managerial functions should be associated with any inequality in social treatment between people occupying these roles. And if it were to be, then why should it not be those actually performing the basic tasks of an enterprise who are esteemed more highly than those whose role is to support them by co-ordinating their activities?

To a certain extent, the explanation is that it is simply a matter of prudence for any person within a power hierarchy to devote greater attention to maintaining a favourable impression with those with more power to affect their interests than those with less. Yet, more perniciously, there is evidence from social psychology that people are likely to rationalise treating others in unequal ways by developing false justificatory ideologies about differences in their fundamental worth. In one experiment, for example, participants who were made aware that one of two workers on a task was to be randomly assigned a sizeable monetary reward nevertheless went on to posit justifications after the event for why the rewarded worker really did deserve the prize more (Lerner, 1965). Such illusions seem particularly likely to be reinforced by engaging in repeated daily patterns of command and deference at work. In this way, I would suggest, differences of social consideration are translated into differences of social esteem, which then lead to further differences in social consideration.

### *2.1.1 Justified and unjustified inequalities in social consideration*

The difficulty, though, lies in determining when such attitudes are unjustified. At first sight, the notion that people merit some form of equal respect or recognition in their working lives might seem a peculiar one. For surely it is through work in particular that people strive for, and achieve, excellence and distinction. Any suggestion that people can expect equal recognition in this sphere might seem to represent a parody of egalitarianism that can only be the product of a culture of narcissistic entitlement. Kolodny (2014, pp.297-8) acknowledges that it would be absurd for the relational egalitarian to be committed to the



view that they must treat everyone the same in all respects. He recognises that people are entitled to partiality in personal relationships, to make judgements about the abilities and achievements of others in particular spheres and even to respond to certain valued attributes in other people by treating them more favourably.

Kolodny's discussion of what underlies when we are justified in treating people unequally is rather limited and underdeveloped. He mentions three necessary, though he thinks not sufficient, conditions, the most apparently clear-cut of which concerns personal relationships. Here he suggests that in treating someone as a social superior or inferior we are adopting an agent-neutral standpoint that would require anyone else to do the same, regardless of personal attachments. Treating someone more favourably because of a personal attachment has, in contrast, nothing to do with regarding them as a social superior even though the basis of this attachment may be a recognition in them of certain qualities we admire.

There would seem to be a kernel of truth in Kolodny's thought that when we acknowledge X as a social superior, equal, or inferior to ourselves this is not only relevant to how we personally respond to X. It also must have relevance for how we think others ought to respond to X as well, depending of course on their own status in relation to X. However, it is surely not the case that the status of people relative to X can itself be defined in terms of a purely agent-neutral relationship. The point here is not that a person's relative status is necessarily a marker of their own individual characteristics; that would be compatible with agent neutrality in the sense it would entail responding in the same way to anyone possessing those characteristics. Rather it is that relative status may be embedded in relationships between particular sets of individuals. A slave may be deemed to have particular duties of social consideration to her own master that she does not owe to the class of slave owners in general, for example.

Therefore it seems that Kolodny's account of what distinguishes partiality towards others on grounds of social status needs amending to make clear that the agent-neutrality requirement refers to the standpoint of anyone similarly socially situated, regardless of personal sentiment. Even so, it is not clear that the distinction between social and personal relationships can be sustained. For while a feudal lord of the manor might have regarded his tenants as owing a personal loyalty to himself (which they might have reciprocated), this is

surely not a notion that a relational egalitarian would want to be committed to defending. Similarly, relationships of personal affection between men and women, or parents and children, cannot be excluded from egalitarian critique. Perhaps what we should be trying to distinguish from relationships of superiority and inferiority are reciprocal relationships of partiality, where we expect our positive response towards another is matched by an expectation of their positive response towards us. In principle it is possible to imagine such reciprocal relations with friends and family members, even if these may often be distorted in practice, while relationships based on coercion or exploitation, such as slavery or feudalism, are always objectively non-reciprocal.

Kolodny's other two conditions for how we can relate to others differentially without contributing to status inequalities concern how we can assess someone's attributes while respecting them as an equal. One is that we can make theoretical judgements of a person's qualities without allowing this to govern our social interactions with them. An example of this might be judging that X is a good poker player without treating them any more or less favourably than Y who we judge is not. The other is that we can respond favourably or unfavourably to selected qualities a person displays without this dominating our overall attitude to them as a person, perhaps inviting X over more often than Y for a game of poker but still treating Y with respectful consideration when we do meet.

While this all seems plausible as far as it goes, it is perhaps less convincing as an explanation of how we can legitimately make moral evaluations of the conduct of others. For this does seem to be more closely connected to an overall judgement of them as a person and in making a moral judgement we also seem committed to certain practical responses as to how to treat its subject. While in many cases we might be able to distinguish responding negatively to someone's ethically bad actions, or even a character trait, from any appraisal of their entire conduct or character, it is surely sometimes possible to make overall character judgements. However, even in doing so, any egalitarian and indeed any liberal would want to say that someone is entitled to a basic level of respect as a person regardless of character.

The essential distinction that seems necessary to make here is that drawn by Darwall (1977) between two concepts confusingly referred to as 'respect' in our contemporary discourse, 'recognition respect' and 'appraisal respect'. Recognition respect for other people consists

in giving due weight in our (individual or collective) actions to the fact that they are equally persons like ourselves, with the capacity for agency. It serves to set normative limits on how we should treat others. For instance when it is said that torture is unacceptable regardless of how much someone is justifiably despised or the extent of the benefit it may yield to society, this judgement is indicative of a certain basic respect owed universally to all persons. Clearly, this is a Kantian idea and serves to underlie many contemporary liberal theories of justice and rights, such as that of Rawls. It also seems to underlie Kolodny's notion of receiving appropriate social consideration.

Appraisal respect is defined by Darwall (2006, p.122) as 'esteem that is merited or earned by conduct or character'. This can be seen as the obverse face of respect for the agency of others, according them appropriately differential recognition based on how that agency is employed. It can encompass making favourable or unfavourable judgements of the qualities of others against ethical or non-ethical (e.g. practice-specific) standards in particular domains of life or across the piece. While a person's accomplishments against such standards count for the purposes of appraisal respect, purely natural attributes of a person such as height would not do so in themselves as they involve no use of a person's agency.

It might be questioned whether Darwall's account of dominant contemporary understandings of the meaning of respect necessarily supports the strong conclusions that Kolodny leans towards in favour of some kind of substantive equality in social consideration. For recognition respect might involve a very minimal consideration of what we owe to others as persons while the criteria governing appraisal respect might privilege the attributes of certain social groups over others and so serve to justify status hierarchies. As the political and social implications of respect for others have been explored most extensively by recognition theorists, it is these accounts that I will now turn.

## **2.2 Social recognition and equality of respect**

Since around the late 1980s, there has been significant engagement by political and social theorists with normative questions around the extent to which individuals and groups are owed social recognition by others (Young 1990; Honneth, 1992; Taylor, 1994; Fraser 1998; McBride 2013). This is often regarded as being largely a response to the growth of identity politics and particularly the increased salience of questions of cultural diversity. However, as

the work of Honneth in particular suggests, the concept of recognition is of wider relevance to questions of political economy and social power and can help us to reconceptualise what is normatively at stake in these areas. There would seem to be a close alignment of perspectives here between social recognition theorists, often working in the continental critical theory tradition, and the relational egalitarian theory that has emerged from post-Rawlsian analytic political philosophy. For both identify the ultimate source of what is objectionable about social, economic and political inequalities in unequal social relationships between people, thereby rejecting purely distributive or materialist critiques of inequality. Arguably, the more sociologically oriented work of recognition theorists can serve as a useful complement to the normative analysis of relational egalitarian philosophers, and vice versa.

For Honneth (1992, pp.192-6), appropriate recognition by others is a precondition of developing an intact identity with the self-confidence, self-respect and self-esteem required for truly autonomous self-realisation. Firstly, this requires relationships of unconditional loving care with others, such as people generally obtain from their family or close friends, to develop the basic self-confidence necessary for effective agency. Such self-confidence can be seriously impaired by experiences such as physical abuse, whether as a child or an adult. Secondly, effective legal rights of equal citizenship are necessary to underpin our concept of ourselves as respected by others as equally autonomous participants in society. This includes the social and economic rights necessary to participate effectively in the public sphere, as well as basic civil and political rights. Denial of these rights will tend to undermine our self-respect as this is difficult to sustain in the absence of recognition from others. Third, appropriate social recognition of our personal qualities and achievements serves to support our self-esteem, validating us in the life choices that we want to make.

I take it that the first of these forms of recognition, that involved in relationships of loving care, is of only marginal relevance to the employment relationship, applying only where workers are employed by family members, and so will not discuss it extensively here. The general relationship between firms and their employees is ultimately a transactional one, driven by the coincidental self-interest of both parties yet also involving significant conflicts of interest between them over its terms. While some employers have professed paternalistic impulses and we sometimes speak of them as having a 'duty of care' for their

workers, this does not betoken the same type of loving care that exists in intimate relationships. Firstly, because the care that some employers may evince is conditional on workers continuing to fulfil their usefulness to them. Secondly, it may simply be a recognition of their duties to others as worthy of universal respect, rather than any personal attachment to the individuals concerned. We do not need to love someone to recognise that we should not physically abuse them, for example. Indeed when employer concern for the welfare of their employees is more expansive than this it risks being invasive of their autonomy, for example when attempts are made to regulate off-duty health-related behaviours.

The second form of Honneth's categories of recognition, 'universal respect', can be seen as equivalent to Darwall's concept of 'recognition respect' and has a certain normative priority over the others. For the legal recognition of our equal autonomy and basic dignity sets limits both to the exercise of power within intimate relationships and also to the harms that may result from lack of social esteem. Honneth closely ties universal respect to the existence of legal rights, with the implication that legal recognition of our equal status is its necessary and sufficient condition. However, his is an expansive conception of legal equality that goes far beyond merely formal equality before the law. It can accommodate the notion that social and economic rights are necessary to guarantee people sufficient resources to make use of their civil and political rights (Honneth 2003, pp.149-50). It can also justify differentiated legal treatment of particular groups where this is necessary to achieve equal capability to exercise their rights e.g. exempting a minority group from requirements that would conflict with their religious practises (Honneth 2003, p.163).

Honneth's third form of social recognition – social esteem – parallels Darwall's concept of appraisal respect. As McBride (2013, pp.53-4) underscores, for Honneth social esteem is a descriptive category encompassing any social judgement of the achievement or value of particular activities, irrespective of the normative basis on which such judgements are justified. Honneth emphasises that a requirement of receiving social esteem is that others judge it as merited according to some accepted criteria and so it cannot be a universal entitlement that, say, one's way of life, is esteemed by others, although one might have a legitimate claim that others make an imaginative and sympathetic effort at understanding cultural difference in making their esteem judgements (Honneth 2003, pp.166-70). He

foregrounds the principle of individual achievement in making a valuable social contribution as representing the dominant criterion of social esteem in contemporary capitalist societies. The normative underpinning of distributive conflict in these societies he sees as taking the form of disputes over the application of this principle, as groups appeal to it to make claims that their activities or practices ought to be revalued (Honneth, 2003, pp.152-4). For example, the lower esteem accorded to work carried out mainly by women, in the home or elsewhere, can be challenged on the basis that it equally represents a contribution to society.<sup>23</sup>

Honneth's account would seem to be relying here on an underlying principle of equal opportunity for social esteem, in the sense that all groups possess a legitimate claim to be assessed by the same standards when esteem judgements are made. This may be regarded as stemming from the principle of universal respect setting a baseline of equality against which people's actions are appraised. However, as Fraser has emphasised, Honneth's 'achievement principle' lacks determinate content, leaving it an open question whether a particular social group can be said to have met relevant standards of achievement (Fraser, 2003, pp.225-8). She thinks this is also a problem with his concepts of intimacy and legal equality and that the appropriate boundaries between his three spheres of recognition are left unclear. For example, to what extent should we distribute resources in the form of universal social welfare entitlements to secure legal equality rather than according to individual contribution to society as required by the achievement principle?

Fraser, like Honneth, is concerned with working out a critical theory of both inequalities in material resources and unequal cultural valuation of the characteristics of different social groups e.g. women or ethnic minorities. However, for her the fundamental issue is not the

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<sup>23</sup> Honneth may overstate the extent to which social esteem in capitalist societies is linked to valuation of an individual's contribution to society. While popular discourse on earnings inequality tends to invoke some connection with reward for personal effort or contribution, earnings are not the only marker of esteem even in market-oriented societies. There are also philosophical defences of a market-based allocation of earnings which do not involve any desert-based justification (Hayek 1960; Nozick, 1974). However, market based justifications of unequal earnings seem quite compatible with a meritocratic contribution principle. For the former can be regarded as positing the market is the only appropriate measure of the social value of a person's contribution. Orthodox economic theory can be invoked in support of this view, as it suggests that, in an idealised free market economy, the distribution of earnings between individuals will reflect the marginal contribution of their labour to overall production as workers. Of course as an egalitarian Honneth would not endorse such a view, rather I take him to be suggesting that unequal rewards have the expressive effect of assigning differing values to worker's contributions, the fairness of which is then open to normative critique.

social recognition required for self-realisation but the injustice of social status inequality and subordination (Fraser, 2003 p.219). She believes that any theory built on self-realisation either needs to endorse a sectarian account of the human good or, like Honneth's, will lack determinate content. Rather, her approach is to argue from a radical democratic interpretation of the basic principle of universal or recognition respect itself to a justice-based critique of substantive inequalities (Fraser, 2003, pp.228-233). For as recognition respect involves acknowledgment of our equal status, substantive material or social inequalities are objectionable where they prevent people from interacting with one another as such. This single criterion of 'parity of participation' allows us to appraise the justice of all inequalities.

Fraser's theoretical position, which she refers to as 'thick deontological liberalism' therefore evaluates all social relations against a principle of equal respect or status in contrast to standard liberal justice-based positions, which make primary use of this principle in the procedures through which substantive principles of justice are generated e.g. the Rawlsian 'original position' or the Habermasian 'space of communicative action'. These emergent principles themselves may not require substantive equality of status, or only in particular institutions e.g. the political and legal structure. Against this Fraser's position aligns with other feminist (Young 1990, Moller Okin, 2004) and socialist (Cohen, 2009) critics, who maintain that substantive social inequalities between people can be unjust, regardless of their source.<sup>24</sup>

Similarly, in opposing Honneth's identification of recognition respect with legal equality, Fraser argues that differences in social status between people are the product of a multiplicity of social institutions and norms which cannot simply be reduced to legal relations (Fraser, 2003, pp.220-1). She suggests that while a wide range of inegalitarian social phenomena, from the discriminatory targeting of racial minorities by police to the construction of buildings that are inaccessible to disabled people, can be regulated by law, it is misleading to characterise the law, rather than social norms, as the source of these inequalities. Furthermore, in treating social esteem as a completely separate sphere of

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<sup>24</sup> However, it should be noted that those holding such a radical conception of justice might, like Cohen, deny the primacy of justice over all other values. They would then fall into the category of what Schemmel (2014) refers to as 'pluralist social egalitarians'

recognition from law, Honneth provides us with no clear principles for when legal intervention to regulate social inequalities is called for.

Fraser's theory therefore aligns more clearly than Honneth's with the relational egalitarian ideal, alluded to by Kolodny, of a society in which people do not relate to one another in institutional or personal relationships as superior or inferior because of such factors as gender, ethnicity or class. It nevertheless leaves room for differential esteem based on appraisal respect, so long as the standards of appraisal did not violate parity of participation either through procedural or substantive bias against any social group or by generating large material inequalities.

I would suggest that the notion of participatory parity is still not a comprehensive formulation of relational equality as it appears to conceive only of injustices as products of social relations i.e. X is unjust because it has the consequence that Y cannot then interact as a peer. Yet there are certain forms of social relations that we might view as embodying inequality of respect for 'impersonal reasons' (O'Neill, 2008, p.146) that cannot be reduced to its effects on particular individuals. For example, we might object to gender pay discrimination not only on the grounds that it fosters women's economic dependence on men, or reinforces cultural values that limit women's autonomy, but also because it inherently represents an inequality of respect for women's social contribution.

Fraser, however, wants to disentangle distributive justice questions from what she sees as 'cultural' questions of social recognition (Fraser, 2003, pp.214-218). Against Honneth's view that normative conflicts over distribution represent a struggle for social esteem, she contends that the distributive outcomes of market processes have a relative autonomy from prevailing cultural standards of valuation. I think here Fraser conflates the process of social causation of economic injustices with the normative basis on which we should judge them. Even if intentional sexist attitudes are not a cause of gender pay discrimination, for example, the latter could still be held to embody a negative valuation of women's contribution.



## 2.3 Social recognition and hierarchy in the firm

*'It is all right to work with anyone; what is disagreeable is to feel too distinctly that you are working under someone. You suffer from this feeling when you are told to do what you know, or think you know, to be the wrong thing, and also when you are told to do the right thing in a disagreeable manner.'* Edward Cannan, quoted in Goodrich, *The Frontier of Control: A Study in British Workshop Politics* (1921), p.29.

### 2.3.1 Rank and equality of opportunity

Despite the dissimilarity of the rival conceptual schemes of Honneth and Fraser, arguably there is considerable overlap in their implications for what social equality might require within firms. Both suggest that fundamental recognition respect also implies an equality of opportunity for appraisal respect which puts into question inequalities in social consideration and esteem within firms that cannot be ascribed to differences in relevant individual capabilities. Honneth's conception of equal opportunity for social esteem is unelaborated and appears to be a rather formal one, simply requiring that everyone is appraised against the same standards of valuation. Fraser's standard of participatory parity clearly sets a more demanding standard of substantive equal opportunity which puts into question established standards of appraisal themselves if they serve to disadvantage particular social groups. In some cases the argument for changing standards of appraisal would be clear enough. The most obvious would be where it is not possible to demonstrate that the standards have much, if any, relevance to the successful accomplishment of the activities for which the assessment is being made, but essentially represent a subjective preference for certain attributes. This would be widely accepted today by mainstream liberal opinion as constituting indirect discrimination, being, for example, prohibited by equalities legislation in the UK<sup>25</sup>.

The more difficult cases are where upholding standards of appraisal that are clearly relevant to what is deemed to be the successful performance of a role have a differential impact on members of particular social groups. It has been suggested by Young (1990, pp.200-214) that as any judgements about the objectives and purpose of a particular role are culturally determined and contestable, it is simply not possible to justify objectively any criteria of

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<sup>25</sup> The UK Equality Act 2010 can be accessed at <http://www.legislation.gov.uk/ukpga/2010/15/contents>

performance or appraisal. She argues that differences between social groups in cultural values and associated behaviour negate any possibility of freely achieving consensus on these and any criteria used will tend to the advantage of some groups over others. In this highly radical view the meritocratic ideal of equality of opportunity ultimately undermines itself since any specification of merit will turn out to be simply another culturally discriminatory preference.

However, we need not take such a view. As long as a sufficient range of opportunities are open to members of all groups then it is arguably not a requirement of social justice that all opportunities are equally open to each group. When engaging in the activities of economic production we are taking part in a cooperative scheme for the realisation of societal benefits and therefore the purpose and objectives of job roles must be subject to collective (majority) decision-making in some form. That does not entail that a central authority must determine the criteria of performance and appraisal for particular job roles but that what counts as legitimate criteria for these are whatever is permitted by collectively agreed regulation (which of course, may require such decisions to be made democratically within firms). Even where particular individuals or groups may hold dissenting opinions the appropriate means to contest it will be through these democratic processes.

If members of certain social groups are less likely to possess the capabilities required to meet standards of appraisal then it may be argued that the fundamental injustice is the lack of opportunity they had to develop these capabilities. This argument would seem to have particular force in the case of knowledge or skills that can be reasonably regarded as more than merely instrumentally valuable for obtaining a particular external good but as being valuable in a person's life generally and/or intrinsically valuable to the possessor. The most appropriate remedy for such injustice would then lie in redressing inequalities in background opportunities rather than in adjusting standards of appraisal.

Nevertheless, it is important to recall that in the actual world hierarchies within economic production do tend to reflect and reinforce other social hierarchies such as gender and race as well as being closely connected to differences in income and wealth. Evidence from social psychology suggests there are unconscious biases which frame certain groups as more or less competent (Ridgeway and Nakagawa 2014, pp. 7-10). If so, breaking the link between hierarchy as such and these other biases is likely to be a difficult enterprise in the actual

world, given the historical legacy of patriarchy and racism. This strengthens the case from a non-ideal perspective for seeking to diminish the importance of hierarchies as such.

### *2.3.2 Rankism*

Even if we were to suppose that achieved rank within an organisation was attained by a process of fair equality of opportunity that would still not serve to justify inequalities of social consideration per se between individuals of different ranks. For the fact that some individuals are more qualified than others for certain roles within an organisation does not provide justified grounds for any attitude of generalised distinctions in social status associated with such roles. Differing evaluations and practical treatment of individuals and occupational groups within a firm are unobjectionable if these are related to competencies measured against practice-based standards. However, it cannot justify what Fuller (2001) has referred to as, 'rankism', generalised behavioural norms of superiority and inferiority associated simply with position in a decision-making hierarchy.

Examples of rankism would include demeaning the dignity of subordinates, for example by insults, harassment, social humiliation and blanket denial of requests relating to individual or collective conditions of work. Less extreme forms would include generally imperious behaviour by superiors and obsequiousness on the part of subordinates. Such behaviours may both reflect and reinforce social class distinctions that affect how people interact with one another across social life as a whole. The attitudes of arrogance and disrespect involved also seem closely connected to justifications for large pay differentials which will in turn serve to reinforce them (Neron, 2015b). A particularly salient dimension of rankism at work is the assumption by senior decision makers of an epistemic superiority over subordinates, which as I will go on to discuss in section 2.4, may be said to instantiate epistemic injustice.

There would seem to be a wide degree of variation in the presence of such behaviours across different organisations and it seems likely to be the case that where workers have a greater degree of social power, for example through their individual human capital or collective organisation, it is less present. If people are guaranteed self-respect in wider society through equality of citizenship rights and differences in education, consumption and lifestyle are small then this will likely attenuate the expression of social superiority and inferiority in the firms and its association with wider status inequalities. Even when this is

the case, given the unavoidable quantitative and qualitative importance of work within the lives of most of us and the power differentials within firms, highly demeaning behaviour may still persist in this sphere, as evidenced by the recent publicising of sexual harassment within generally high status occupations.<sup>26</sup>

It might, though, still be questioned whether the patterns of inter-personal behaviour we describe as rankism are properly within the scope of political theory which, it may be argued, should restrict its concern to the design of major social institutions. There are many possible forms such an argument could take and I cannot address all of them adequately here, but I will attempt to sketch the broad issues at stake. To start with, any argument that theorising about optimal social institutions does not have any normative implications for individual behaviour is surely untenable. At the very least an effective institutional scheme requires that people co-operate with it and must surely also involve some responsibility for individuals to bring the scheme into being. Hobbesian views that suggest a society of rational egoists could both create and operate effective social institutions are undermined by the free rider problem and the view that people are purely rational egoists is any case highly implausible. Rawls recognises this by positing a duty for people to comply with the rules of just institutions and to support reform of unjust ones, where this does not involve too much cost to ourselves (Rawls 1999, pp.293-4). While it is the case that Rawls maintains, plausibly enough, that just institutions will tend to foster a sense of justice among individuals that serves as their own support, any notion that his theory has no normative implications for individual behaviour would be clearly mistaken. As Thomas (2018, pp.226-231) argues, even liberal theories of justice cannot be expected to forswear opportunities for the non-coercive promotion by the state of their own underpinning ethos.

There is a matter of contention between those followers of Rawls who interpret the implications of social justice for personal behaviour as being solely restricted to providing support for just institutions and critics such as Cohen (2009), who argue that social injustice cannot be removed solely by institutional reform as it can also arise from patterns of decision-making by individuals outside of institutional constraints.<sup>27</sup> My own view is that a

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<sup>26</sup> As reported in *Time* magazine, 17<sup>th</sup> October 2017, <http://time.com/4983731/me-too-alyssa-milano/>

<sup>27</sup> In addition Cohen highlights there is ambiguity in Rawls' writings about whether the institutions relevant for social justice are state institutions with legally coercive powers or any institution that has a profound effect on

theory of social justice should be concerned with all substantive social inequalities, regardless of their source. A reservation some might have is that this potentially provides grounds for a highly intrusive state regulation of individual behaviour, or a socially oppressive system of sanctions. While this is a valid concern it seems to me that questions of the appropriate reconciliation of the pursuit of social equality and individual freedom of action should be assessed more directly in relevant cases and that that it doesn't provide a general justification for excluding individual behaviour per se from the scope of social justice. In the context of economic enterprises, I am not proposing any state regulation of inter-personal behaviour but rather am concerned with the impact of institutional reform upon it. If it is true that certain institutional structures both (a) foster patterns of inter-personal behaviour that produce and reinforce unjust status differences between people and (b) do not clearly embody or promote any other important social value then this would seem to provide justification for their reform. Particularly as these institutions themselves are not in fact the product of free individual choice against just background conditions, but of a particular set of distribution of resources and corporate and employment law enforced by the state.

While Fuller suggests that problematic rankist attitudes can be overcome without eliminating hierarchical authority structures themselves, this optimism runs counter to the notable psychological tendency for distinctions in social power or privilege to spill over into more comprehensive ideological beliefs about people's relative status (Lerner, 1965). Psychological experiments also indicate that the ability of individuals with higher social status to gauge the thoughts and feelings of lower status individuals atrophies due to lack of necessity to do so, resulting in reduced empathy and scorn, expressed as contempt or pity (Fiske, 2010). Furthermore, it will hardly be the case that the most highly ranked individuals within an organisation will be typical in terms of their character traits. A greater than average desire for power over others seems very likely to be associated with progression to such positions, which would exacerbate the tendency towards impaired empathy for subordinates. One study found that a sample of senior British executives scored highly for

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inequalities in society. If the former the view seems far too restrictive given the range of substantive inequalities excluded from its purview, but if it is the latter it is more difficult to define a clear boundary between the patterns of behaviour supporting non-coercive social institutions and the social ethos governing individual behaviour more generally.

abnormally psychopathic traits, comparing unfavourably to patients at Broadmoor high security psychiatric hospital who had committed serious criminal offences (Board and Fritzson, 2005). The performance of individuals in a lower status group themselves can also be involuntarily and detrimentally affected by the social expectations of that group (Ridgeway and Nakagawa, pp.11-12). Even if the efficiency cost of eliminating hierarchies completely are considered too great to bear, there would seem to be a good pro tanto case for diminishing, attenuating and constraining them given the likelihood of them serving to reinforce pernicious social distinctions.

However, might a focus on formal hierarchical structures as the source of social status inequality be misplaced? Freeman (1971) famously argued, based on her experience of supposedly leaderless women's liberation groups, that inequalities of status will inevitably arise in any human social group and that at least where this is formalised and so relatively transparent it is possible to regulate the operation of this tendency. Indeed, a concern might be that, in the absence of formal ranks based on merit criteria, social status at work could actually end up being more heavily related to wider social characteristics of class, gender and race. Recent examples of moves towards less hierarchical management structures by some technology firms have also met with suspicion in some quarters for obscuring the unequal power relations between owners and workers (Pan, 2016).

Research in social psychology may be adduced in support of these concerns; studies by Bales (1950, 1970) found that even in relatively homogenous task oriented groups without any explicit hierarchy inequalities in social status quickly emerge, based on such behaviours as who contributed most in initial discussions, and then solidify into persistent status distinctions. In less homogenous groups without explicit hierarchy an individual's status within the group will also be influenced by characteristics correlated with unequal status within society at large, such as gender, race and social class. It is postulated that these behaviours and characteristics are treated as competence cues within task-oriented settings and establish behavioural dynamics of deference and assertiveness within the group which then further reinforce differences in perceived status (Ridgeway and Nakagawa, p 6-11).

However, I would suggest that all this demonstrates is that changes in formal structures of authority are an insufficient condition for removing marked disparities in social status. It would be generally accepted that failed attempts to operate representative institutions in

societies that lack the necessary social and cultural preconditions do not invalidate representative democracy as a feasible ideal. By the same token, we cannot take the failure of small scale experiments in non-hierarchical decision-making within a society where hierarchical status norms are pervasive as a decisive test of the theory underlying them. Still less can we do so where supposedly 'non-hierarchical' management structures are instituted by capitalist firms as strategies to serve their own ends.<sup>28</sup>

An anti-hierarchical social ethos would seem to be an essential complement to structural change in reducing rankism and we have no reason to think such an ethos could not be fostered. Indeed, a systematic review of evidence from social anthropology indicates that hunter-gatherer groups universally lack significant status hierarchies, something anthropologists ascribe to the practice of 'counter dominance' strategies by members of these groups in which attempts by individuals to exert disproportionate power or gain greater access to resources are actively challenged by others and subject to social censure (Wilkinson and Pickett pp.122-124). However, the development of such an ethos within firms and the wider society does not render structural change unnecessary. For as Graeber (2015, pp.201-4) has suggested, in formalising differences in power we also legitimate them. The less pronounced formalised hierarchies are, the more likely it is that perceptions of relative status will be fluid and at least open to egalitarian challenge. An anti-hierarchical ethos is unlikely to fully emerge while hierarchical beliefs are constantly reinforced by decision-making structures and if it were to do so would surely demand changes in such structures.

Given that the complete abolition of hierarchical decision-making appears utopian, what reforms to decision-making might serve the objective of overcoming rankism within firms? The democratic accountability of senior decision makers to the workforce as a whole should certainly help to decrease the power distance and disincentivise the most egregious examples of rankist conduct. However, the wider distribution of decision-making authority over work tasks within the firm also has the potential to promote rankism. Even where a worker has the power to vote to remove the senior, board level, management of a firm they may still feel their social and epistemic status belittled by immediate superiors, for example.

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<sup>28</sup> Though of course the adoption of such strategies may indicate an awareness of the potential productivity benefits of allowing workers to at least feel more in control of their own work.

Within an overall democratic structure these questions will at least be matters that can be debated and different solutions experimented with. Perhaps there could be rotation of managerial roles for different tasks, or a high degree of autonomy for individual and small self-organising group work, or workers may be given a say in who their immediate managers are to be. Given the heterogeneity of types of decision to be made within firms and the varying nature of potential efficiency trade-offs involved, such questions can only be resolved by experimentation, but challenging rankism ought to be recognised as an important objective when designing these structures.

## **2.4 Epistemic injustice in the firm**

Epistemic injustice has been defined by Miranda Fricker as involving the undermining of someone's status as a 'knower', capable of possessing and communicating knowledge about the world around them. Fricker (2007, p.2) conceptually distinguishes questions of epistemic injustice from debates around access to epistemic goods such as information or education, which involve principles of distributive justice. The thought here is presumably that someone may lack access to these goods for reasons other than being disrespected as a knower, for example because of lack of money. However, arguably epistemic injustice may well be present in real world cases where social groups are deprived of epistemic goods. For often education has been denied to groups such as women, ethnic minorities or working class people on the false supposition that they are insufficiently capable of making use of it.

Fricker identifies two forms of epistemic injustice, testimonial injustice and hermeneutical injustice. A testimonial injustice involves a prejudicial evaluation of a person's credibility as a giver of knowledge (Fricker, 2007, pp.10-29). It excludes cases where someone makes an innocent error about the credibility of someone else's knowledge rather than being prejudiced, for example not realising that someone opining on a particular topic is employed as an expert in it (ibid, p.22).<sup>29</sup> Prejudicial evaluation may be biased in a positive as well as a negative direction although, for Fricker, someone who receives excess credibility as a result of prejudice typically suffers no injustice by it. She thinks it is possible for there to be some harm to someone whose credibility is consistently inflated by epistemic injustice in the

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<sup>29</sup> This kind of error might still fail to be innocent in various ways, most obviously if based on an unwarranted assumption that the person could not be an expert, because of prejudice against unrelated aspects of their social identity



sense that they lose an adequate sense of perspective on the limitations of their own knowledge. However, in general she does not regard these harms as being as morally serious (ibid, pp.18-22). Yet Fricker's view that there is no injustice in such cases is arguably only plausible when the question is framed in terms of the effect on the person who has their credibility inflated. For granting excess credibility to someone surely detrimentally affects the *relative* credibility of others in the same social context and so still (typically) involve an injustice.

Fricker acknowledges that people intuitively categorise people into social types and rely on generalisations about their likely attributes as a convenient heuristic device (ibid, pp.32-4) She does not think that relying on such stereotypes is always epistemically or ethically blameworthy, for example when we assume a medical practitioner is competent to advise us about our health. She argues that what is problematic are prejudicial stereotypes that are based on generalisations which are unreliable as they not well grounded in evidence and relatively resistant to contrary information. The wrong is compounded in cases where this resistance is motivated by a disdainful attitude towards those to whom the stereotype is directed. In cases of testimonial injustice we make a judgement about the credibility of a giver of knowledge based on an unreliable generalisation about the competence or sincerity of the social type to which they belong.

For Fricker, the intrinsic harm of testimonial injustice is being 'dishonoured' by having one's credibility discounted (ibid, pp. 43-6). I would suggest that it can be regarded as akin to a lack of appropriate (equal) recognition respect, since it concerns a failure to give due respect to a dimension of our cognitive functioning as rational agents within social communities in which the communication of knowledge claims is a vital aspect of our interaction. As Thomas (2018, pp.221-225) suggests, the essential wrong involved in epistemic injustice is the expressive one of denying, and encouraging others to deny, social status to others. Fricker also outlines secondary epistemic harms that may be associated with being a victim of epistemic injustice including failure to be awarded due credit for one's intellectual contributions, unjustified doubts about one's own knowledge, a loss of confidence in one's own intellectual capacities, and arrested growth in knowledge and intellectual development (Fricker, 2007, pp.46-59). In some cases the testimonial injustice may actually undermine someone's epistemic capacities and so serve to validate the original

prejudice. The exclusion of a subject from any opportunities to interact as an epistemic peer may also hinder them in the development of a vital aspect of their identity, as when a politically interested woman is not taken seriously in political conversations in a repressively patriarchal society. Furthermore, testimonial injustice can also indirectly result in non-epistemic harms as when someone from an ethnic minority is punished because their testimony in court is not believed.

Fricker only regards testimonial injustice as being a significant concern of social justice when it is systematically related to other disadvantages that the victim experiences across different aspects of their lives (ibid, pp. 27-9). The paradigm case here is where someone suffers a credibility deficit as a result of prejudice against a disadvantaged social identity-based group of which they are a member. Other cases of testimonial injustice where harm is restricted to a specific aspect of a person's life Fricker describes as exhibiting 'incidental testimonial injustice'. An example of this would be an academic researcher whose findings are given less credibility by their profession because of prejudice against their unorthodox research methods which are falsely assumed to lack rigour.

Fricker does not deny such cases may constitute serious injustices against the person affected, but thinks that their localised nature means they are not significant in evaluating the justice of a society. This does not seem to be an empirical claim on Fricker's part, rather it rules out that such cases could be of important social significance by definitional fiat. It is not clear, though, why we should accept this. For imagine a society in which members of an ethnic minority group were only systematically disadvantaged by prejudice in one sphere of their life, such as their careers, while enjoying equal status in politics and civil society, perhaps because the prejudice is directly related to the attributes associated with career success. It seems implausible to suppose that these career disadvantages would not be relevant in assessing the justice of the society, simply because they are not connected to any wider injustices. I would propose instead that a testimonial injustice is relevant to social justice whenever it has a substantial impact on the lives of a significant group of people within a society, regardless of whether the social identity groups to which they belong face wider disadvantages. Arguably hierarchical firms are one major site where people in subordinate positions experience repeated devaluations by superiors of their epistemic

competencies within an important sphere of their lives, irrespective of the social identity groups to which they belong.

Acknowledging this wider scope of socially relevant testimonial injustice does come at the cost of being able to make simple, clear cut judgements of when it is instantiated. When we restrict our attention to social identity-based groups we can be sure that generalisations about their epistemic competence or sincerity are always going to lack reliability, for any clear eyed assessment reveals these attributes vary more within such groups than they do between them.<sup>30</sup> However, we cannot necessarily assume this, particularly in respect of competence, in the case of social roles such as position in an occupational hierarchy. In a medical context, for example it seems legitimate that the opinions of a senior consultant should count for more than those of a junior doctor, medical student or nurse given relevant and verifiable differences in experience and expertise.

What we have here are cases of what McMahon calls 'E-authority' in which we acknowledge the judgement of another in a certain domain as more reliable than our own independent judgement would be. Unlike other forms of authority in which we allow our actions to be determined by the judgements of others, in the case of E-authority we possess a rational justification for revising *our own* judgements. There is therefore no question of any subordination or inequality of respect involved in deferring to the judgement of a legitimate E-authority (pp.86-92). It is of course often not straightforward to identify who does possess such authority and in this case and in cases where acknowledged experts disagree with one another McMahon suggests that disputes can only ultimately be resolved legitimately by democratic means (pp.159-162). However, supposing that within a firm people were appointed to positions of expertise by a democratically accountable management, then others within the firm would seem to have good reason to grant them credibility.

Nevertheless, given that (a) formal positions are still unlikely to correspond perfectly with expertise, (b) differences in expertise between co-workers are likely to be of degree rather than kind, (c) experts may lack or fail to see the relevance of contextual information about

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<sup>30</sup> Such an assessment is confirmed by scientific research, for example variation in genetic characteristics between ethnic groups is far lower than variation within them (Wilkinson and Pickett, p. 210) and measures of personality differences in personality vary more within male and female groups than between them (Weisberg, Young and Hirsh, 2011).

decisions that others possess and (d) human fallibility, it would still seem imprudent to rely unquestioningly on expert testimony even in these cases. Yet where expertise is tied to formal rank, the self-assurance of experts is likely to be enhanced and the willingness of subordinates to question reduced. This may tend to generate an arrogant and prejudiced assumption of a generalised epistemic superiority over any subordinate in a hierarchy, thereby devaluing or discounting their potential contribution to decision-making. We can define behaviours stemming from such a prejudiced attitude as constituting a testimonial injustice and an epistemic dimension of rankism.

Within the context of the firm, the primary harm involved in epistemic injustice will typically be disrespect for a worker's epistemic competency, rather than their sincerity. Secondary psychological harms are also likely to result in many such cases. A worker denied decision-making responsibility may, for example, fail to realise the potential joys of attaining mastery of a particular occupation, a condition that may in turn undermine confidence in their own epistemic competency. They might suffer dissatisfaction from having to implement decisions which they feel to be so mistaken as to undermine any positive contribution their work could potentially make. And they could suffer negative instrumental consequences from bad decisions taken by superiors affecting their work environment, job security and future prospects.

Moreover, while I have argued that such epistemic injustices would represent an issue of social injustice even if they were not connected with any other injustices, the social reality is that they are not the only injustices faced by subordinate workers. As a collective group such workers face other injustices in their working lives, such as exploitative wages and working conditions, which also affect their wider social status and economic position. Indeed, a lack of recognition of workers' expertise and decision-making competency has a direct impact on other inequalities, such as how much they are paid in comparison to others. Workers who are members of disadvantaged social groups are also more likely to encounter epistemic injustice at work due to a lower position within the hierarchy, compounding any identity prejudice they might otherwise face. Inequality between social groups in terms of educational advantages will affect hiring and promotion prospects and so opportunities for exercising decision-making capacities, which could be considered a form of structural epistemic injustice (Anderson, 2012, p.169).

In addition to testimonial injustice, Fricker identifies a second form of epistemic injustice which she refers to as hermeneutical injustice. This refers to cases where someone is unable to render some part of the social phenomena they encounter intelligible to others, or even to themselves, because structural inequalities hinder them from participating fully and credibly in public discourse. The paradigm case of this is women's experience of sexual harassment prior to the development and dissemination of a vocabulary that was able to describe it. As with testimonial injustice, Fricker seeks to distinguish between incidental and systematic forms of hermeneutical injustice and to tie the latter to being part of a group disadvantaged on the basis of social identity. However, again there would seem no compelling reasons to think that the scope of systematic hermeneutical injustice might not be wider than this and at least encompass cases of structural inequality between groups based on factors other than social identity, such as economic class relations. Indeed, arguably the relatively unknown concept of 'rankism' under discussion in this chapter precisely represents an attempt to define a widespread experience of social inequality among subordinate workers which has been difficult to challenge in the absence of a shorthand label.

#### *2.4.1 Epistemic injustice and firm governance*

Although Fricker acknowledges the connections between both forms of epistemic injustice and wider structural inequalities, her work primarily focuses on interpersonal interaction and recommends the practice of the individual virtue of fair consideration of others to counter injustice. Others have rightly highlighted the limitations of this perspective, identifying that the structural sources of epistemic injustice in terms of systematic inequalities and social domination ought to be removed (Anderson, 2012; Bohman, 2012). Herzog (2016) has suggested that, within firms, epistemic equality is hindered by hierarchical structures that deny opportunities for worker voice and provide strategic rationales for avoiding open communication within the organisation.

However, it would seem absurd to suppose that epistemic injustice is present whenever someone in an organisation who is competent to participate in a decision is excluded from doing so. There would seem no inequality of respect for epistemic competence involved as such in a division of labour in which responsibility for deciding about issue A is assigned to X rather than the equally competent Y. As I have argued previously, the appropriate

distribution of decision-making within a firm is in large part a question of organisational efficiency which is secondary to the question of whether those responsible for the 'basic decisions' in a firm (its constitution, strategic aims and delegation of responsibilities) are democratically accountable to the workforce as a whole.

What would remain objectionable in any such structure would be the attitude of epistemic rankism defined above. Even if we were to suppose genuinely equal opportunity for promotion within hierarchical management structures, it is unlikely that all relevant decision-making capabilities are concentrated at the top. For promotion to such positions is likely to be related to such factors as ability and desire to manage subordinates and to seniority rather than specialist knowledge. While those who are effective operators within hierarchical management systems are likely to be favoured, the skills of social manipulation required for this are not necessarily related to general decision-making competence and cannot, without circularity, serve to justify such decision-making structures themselves. There is no systematic and agreed body of knowledge of generic management itself in any case (Macintyre, 1981, pp.88-108). Even in cases such as medicine where there are verifiable differences in expertise there is likely, as outlined above, to be a psychological tendency to make more of these than can strictly be justified, assuming the infallibility of a superior and that a subordinate has nothing to contribute. Yet there is always likely to be 'tacit knowledge' of work processes and relevant context that are simply unavailable to those in higher positions (Wainwright, 1994, p.52). While in theory senior decision makers assume the 'burden' of responsibility associated with their decisions, this does not by itself demonstrate they are qualified to do so and their subordinates may suffer the consequences of them just as much, or more.

Clearly if a specific person has been given responsibility for making decisions in a certain area and can be held accountable for them, then they must ultimately reserve the capacity to make final judgements. Yet, at least in situations which are not time critical, they may still owe a duty of epistemic justice to involve others in decision-making through consultation or delegation. What would seem particularly objectionable is when a decision has direct relevance for a subordinate's work but they have no opportunity to contribute to it. There is an absence of respect in requesting someone to do something without giving serious consideration to their views on the course of action proposed and engaging in mutual

reason giving. That a 'because I said so' approach is disrespectful is comprehensible even to a young child. However, one does not need to rub someone's face in it for it to be so. One might hear out a subordinate's views from politeness but grant them too little epistemic credibility in making the decision. Perhaps there is too much concern here with getting one's way rather than getting the decision right or one does not want to concede that the subordinate's opinion could be as valid as one's own less it undermines one's superior status in one's own eyes or those of others.

This is an area in which it is difficult to specify precise rules of conduct or neat structural changes that would eliminate problematic behaviour. Much will rest on the fostering of an ethos that is hostile to rankism. We can expect that in a firm with an elected management there will be less fear of challenging authority and a more egalitarian culture that would be more favourable for the incubation of such an ethos. In addition to the general practices discussed earlier that such a firm might adopt to lessen the importance of rank, as Young argues one important criterion of job design should be to ensure that all workers have at least some meaningful opportunity to exercise their decision-making capacities (Young, 1990).

## **Conclusion**

In this chapter, I have suggested that Kolodny's relational egalitarian claim that we ought to personally conduct ourselves in such a manner as to relate to others as social equals has radical implications for how people in different roles in work organisations ought to treat one another. Drawing on Darwall's distinction between appraisal and recognition respect, we can distinguish between generalised expressions of superiority or inferiority based on occupational rank and necessary evaluations of achievement against recognised standards that do not unfairly discriminate against any social groups. The former deserves the label of 'rankism' and, while inconsistent with relational egalitarianism, is pervasive in non-democratic hierarchical work organisations. An important example of this is the epistemic injustice that is involved in devaluing the potential relevant knowledge of those lower in the hierarchy in decision-making at work.

While rankism is expressed through personal attitudes and behaviour, this does not indicate that it is ineradicable, or that structural change is not an important component of

combating it. Undemocratic, hierarchical, work organisations that embody inequality of respect for persons in their very constitution will inevitably produce attitudes and behaviours that display feelings of superiority and inferiority. As such, the arguments of this chapter reinforce the case in chapter 1 that a relational egalitarian ought to favour democratic control of the management of work by elected worker representatives. However, it also goes beyond them as it demonstrates that even maintaining elements of managerial hierarchy within democratic firms would contribute to a pernicious culture of rankism at work. While it is outside the scope of this thesis to examine the multiplicity of ways in which firms could structure all of their internal decision-making, this points to the necessity for any political movement for democratising firm management to emphasise the egalitarian motivations behind it and to try and foster a wider egalitarian ethos in the design of occupational roles and responsibilities and in how workers relate to one another.



### **Chapter 3: Expertise and authority in the management of firms**

I have preliminarily characterised non-democratic authority structures within firms as embodying relationships of subordination, in the sense employed by Christopher McMahon (1994) and Niko Kolodny (2014). That is to say that they involve the actions of workers subject to the authority being determined by the will of a socially superior agent (or agents), so failing to respect equally their own autonomous judgements. Only in firms where all workers have an equal share of control over ultimate decisions, whether directly or through the election of representatives, would the exercise of authority not seem to be bound up with structural relations of superiority and inferiority between decision makers and decision followers. Yet I have conceded that this only represents a *prima facie* case for democratic management of firms by workers. In this chapter, I examine the counter claim that democratic management of firms can be rejected – even by the relational egalitarian – as a general proposition on the grounds that (in many cases) the ability to effectively govern such firms depends on specialised skills that are not broadly diffused among the workforce as a whole.

There do not seem to be strong grounds on which such a counter claim could be rejected on an *a priori* basis. While political theorists such as Rawls (1971) have argued that no trade-off between the value of the basic liberties underpinning political democracy and considerations of social utility can practically be countenanced,<sup>31</sup> the case for extending this claim to democratic participation at the firm level does not seem as compelling. McMahon (1994, pp.262-266) suggests the right balance between the possibly competing claims of democratic decision-making within sub-state authorities and their effective governance in the general interest is a matter of reasonable disagreement among citizens. As such, the elected representatives of the citizenry as a whole must be free to decide on it if we are to uphold the value of political democracy.

It might be questioned why we ought to prioritise democracy at the state level over democracy at the firm level. However, given that the state has the final authority over the decisions (and decision procedures) of sub-state authorities, then a greater concern with

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<sup>31</sup> That is to say, there are no foreseeable cases in which such a trade-off ought to be made, even if we might invent hypothetical but unrealistic cases where this was more arguable.

democracy at the state level would seem legitimate (Kolodny, 2014b, p.306). McMahon's argument is therefore persuasive, at least within a fairly widely held conception of democratic sovereignty, in which ultimate decision-making is vested in the citizens of a state as a whole, or its directly elected representatives.<sup>32</sup> Importantly, it would appear to rule out any constitutional restriction on the freedom of the national legislature to decide on questions of firm governance. However, it says nothing about the question of how claims about management expertise should (normatively) affect legislative decisions about the rules on firm governance, which is the question considered in the remainder of this chapter.<sup>33</sup>

### **3.1 Expertise-based arguments against collective worker-management of firms**

Expertise exists in a variety of forms and not all cases in which we acknowledge another as an expert will be relevant to our decision-making (Goldman, 2001; Seidel, 2014). The content of their expertise might, for example, take the form of excellence in a practical skill or a substantial knowledge and understanding of existing and past states of affairs, but not necessarily form a reliable basis for advice about future courses of action. The expertise we are concerned with in respect of decision-making is that which makes its possessor, within specific domains of activity, significantly more reliable in making decisions that are likely to achieve given aims.

In their most credible form, expertise-based arguments against collective worker-management need not deny that ordinary workers or their representatives possess some degree of management ability but simply that they are not the most capable managers, which has been referred to as 'the objection from comparative expertise' (Ferrerias and Landemore 2016, p.69). It is certainly plausible to maintain that most individual workers in large, complex, enterprises would, if they were to change places with their CEO, on average be less confident about what decisions to make, make more sub-optimal decisions and be

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<sup>32</sup> The British doctrine of parliamentary sovereignty might be seen as the ideal type of this theory of sovereignty. However, pluralist theorists of democracy would dispute that sovereignty ought to be seen as residing at a single decision-making level. GDH Cole argued on these grounds that the wider citizenry had no right to abridge worker-management of production (Cole, 1920).

<sup>33</sup> I do not here discuss liberty-based objections to state regulation of enterprise governance, such as on grounds of freedom of association, which will be explored in chapter 4.

less effective in communicating the rationale for decisions to others.<sup>34</sup> Holding an executive role in the management of such an organisation seems unlikely to be something that everyone could do equally well. At the very least, prior experience of managerial responsibilities would seem likely to make a positive difference to effectiveness in such roles, although specialist knowledge and psychological traits might also be relevant.

Clearly, such hypothetical individual occupational role reversals are not equivalent to democratic management of firms. Nevertheless, the thought might be that if the average individual worker is plausibly less competent at management than their CEO then the same might be true of collective management by the workforce as a whole, or even of management by individuals elected by them. For, as McMahon (1994, pp.276-8) suggests, if effective management is related to the possession of specific capabilities then it is also possible that only individuals with those capabilities might be able to recognise them in others, as the criteria employed are 'internal' to the possession of said expertise. This is why in many fields, such as academic research, the certification of expertise in a particular domain is established by recognition by other experts. If the analogy holds true for management, then we would expect that a meritocratic hiring process in which senior managers were selected by others with similar background experience would select for more competent individuals than a democratic one in which the views of those lacking the relevant capabilities to judge expertise predominated.

Given that even strong egalitarians typically think differences in relevant capabilities are legitimate grounds for selecting individuals to occupy different roles within a division of labour, it could be argued that the presumption should be that this extends to the selection of the higher management of productive enterprises. For if democratic management of firms were to have a significant detrimental effect on societal economic welfare, then the material interests of the majority of the population, including ordinary workers themselves, would be negatively affected.<sup>35</sup> Therefore, it might be said to be

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<sup>34</sup> Given the disastrous decisions sometimes made by CEOs, such as Excite CEO George Bell passing on buying Google for £600,000 in 1999 (<https://realbusiness.co.uk/10-worst-business-decisions-ever-made/>), it would seem difficult to advance any stronger claim than this!

<sup>35</sup> The direct impact on the efficiency of their own enterprise might be lessened to the extent competing enterprises in the economy were similarly organised, but at the cost of a larger impact on overall living standards. And, short of a worldwide embrace of democratic management, enterprises might still face international competition.

reasonable for such workers to accept subordination to non-democratic authority at work in exchange for more secure employment or higher living standards, analogously to the way in which Rawls famously argued that it could be reasonable for the poorest members of a society to accept its income differentials.<sup>36</sup>

### **3.2 Differences in comparative expertise and relational equality**

There would not appear to be any inherent contradiction between the existence of differences in comparative expertise and a relational conception of equality either. For relational egalitarians are concerned that our social relations exhibit equality of respect towards one another rather than regarding inequalities as objectionable as such (Anderson, 1999; O'Neill, 2008). Therefore relational equality would not imply any intrinsic goal of equalising our capacities, except in so far as this is also necessary for egalitarian social relations. Relational egalitarians do not, for example, advocate equalising average physical strength between men and women but believe that our social institutions and norms ought to ensure that this is not used to the advantage of men.

The distribution of expert knowledge within society is of course influenced by social institutions and norms.<sup>37</sup> These institutions may, and in practice do, unfairly hinder particular social groups from achieving expertise in specific areas, something an egalitarian will regard as unjust. Yet there would seem to be no grounds for supposing that a division of intellectual labour and associated specialisation of knowledge conflicts with equality of respect as such, however regrettable it might be on other grounds such as the opportunity for individuals to gain access to a holistic view of the frontier of human thought in the way that some ancient philosophers might have achieved. In a substantively egalitarian society we might expect that everyone of normal psychological capacity would possess a comparative expertise in something, whether a practical skill or a more theoretical body of knowledge, but the elimination of differential expertise itself is not a necessary constitutive element of such a society.

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<sup>36</sup> Possibly even more so as it does not depend on any assumptions about the motivations of experts and so does not seem vulnerable to the critique that Jerry Cohen made of Rawls on income inequality (Cohen, 2009).

<sup>37</sup> Which is not to say that this is not also true for average sex differences in strength. To suppose they are somehow a fixed property would be absurd genetic determinism.

Nor do differences in social roles based on comparative expertise seem inherently objectionable on relational egalitarian grounds. For there do seem to be cases where such differences, if based on verifiable and substantial differences in capabilities, are not only consistent with equality of respect but required by it. We can think here of general relations between adults and children which tend to be regulated by law and custom on a presumption that the latter require protection stemming from lack of intellectual, emotional and social maturity. In virtue of this certain adults, such as parents and teachers, are held to possess legitimate authority over children's behaviour. While the boundaries between childhood and adulthood and the extent to which children and teenagers ought to be subject to adult authority can be disputed, it does not seem plausible to maintain that they ought never to be, particularly in the case of young children whose welfare would be severely compromised without adult guidance in some form.

Of course, democratic political theory typically supposes that all adults meet a minimum threshold of competence to be autonomous agents and so must be treated equally in some particular respects, notably in terms of legal and political equality. Nevertheless, there do seem to be some analogous cases, outside of the employment relationship, where apparently asymmetrical relations of authority between adults with normal mental faculties are grounded on differences in capabilities. One might think here of relations between teachers and adult students, be they university tutors and undergraduates, or driving or dancing instructors and trainees. These can be regarded as examples of mentorship, in which those with greater knowledge and experience provide guidance to those with less.

Now it might be questioned whether such mentoring relationships necessarily constitute authority relationships. In many of these cases we seem to have a voluntary acceptance of guidance in exchange for personal benefit. However, the criterion of authority relations cannot be non-voluntariness, for they involve at least a perceived obligation to follow another's judgement that distinguishes them merely from exercises of coercive power (Moore 2017, p.60). In Raz's generally accepted formulation, it is this subordination of judgement that is characteristic of authority relations. We act on the judgements of an authority neither because we are forced to, nor because we are persuaded by reasons that the authority has made the right judgement, but because we perceive the judgements of

the authority as legitimately displacing any independent judgement we might make of reasons for action (Raz, 1990).

McMahon (1994, pp.86-92) classifies cases where the legitimacy of an authority over us is derived from their greater expertise as cases of 'E-authority'.<sup>38</sup> He suggests that unlike other forms of authority, it does not involve the subordination of our will to the judgement of another. Rather, if we recognise someone as a relevant expert then we must also believe that their judgement is going to be significantly more reliable than our independent assessment, which provides rational grounds for us to revise our own judgement of what the best course of action is. If we accept this account, then following the judgements of someone we acknowledge as a legitimate expert need not undermine equal autonomy in the way in which Kolodny (2014) suggests asymmetrical authority relations generally do.<sup>39</sup>

However, Moore (2017, pp. 67-74), has suggested this generally accepted account of expert authority obscures the inequality that inheres in relationships between experts and non-experts and the similarities between expert authority and other forms of authority. For when non-experts do not understand the grounds for advice offered by someone they acknowledge as an expert they would appear to have insufficient basis to form a new belief on the matter in question, at least if belief is understood as conviction. Rather, the rational attitude for the non-expert to adopt in such a case is, for Moore, best described as one of acceptance that they ought to act according to the expert's belief rather than their own. The implication of this is then that the non-expert is subordinating their judgement to that of another because they have sufficient reasons to do so, in a structurally analogous manner to obeying the directives of other forms of legitimate authority.

Yet McMahon's account of e-authority does not rely on any claim that non-experts alter their theoretical beliefs about an issue as a result of expert testimony. What is constitutive of e-authority is that non-experts have rational grounds to change their judgement about what practical action is best to take (McMahon 1994, p.42). There does seem to be a subtle

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<sup>38</sup> The other forms of authority he identifies are C-authority, "the case when the authority's directives facilitate cooperation within a group of which one is a member" (p.44) and P-authority, based on a promise to obey (p.46)

<sup>39</sup> Kolodny would be in agreement with McMahon on this point, for he does not regard influence over another's judgements as violating equal autonomy if such influence is 'judgment-dependent' i.e. a consequence of rational reflection by the person influenced (Kolodny 2014b, pp. 332-6).

disanalogy here with obedience to other forms of authority which may involve us feeling bound to take actions which we do not judge to be best in any sense, other than that we regard the authority as having justifiably binding claims upon us.

Ultimately, it is also not clear that the precise way in which we want to specify the psychological attitude involved in acting on expert authority matters for how we should judge the relationship in egalitarian terms. For whether we describe it as based on belief about the best action to take or acceptance that we should base our actions on given advice, neither would seem to undermine our intuition that e-authority is in principle compatible with equality of respect between experts and non-experts. On neither account are we required to deny, either, that the inequality of knowledge and understanding between experts and non-experts is potentially an inequality of power that can be exploited to the advantage of the more expert. Moore is right to be concerned with this and it provides egalitarian democrats with good reasons to be rather sceptical of specific substantive claims made for e-authority. However, there is no reason to give up a concept of legitimate e-authority, compatible with the equal autonomy of non-experts, against which to contrast this and which can provide us with an ideal to guide the design of mechanisms to constrain the arbitrary use of expert power.

### **3.3 Expertise, equality and political authority**

We have so far only concluded that acting on the judgement of those one regards as legitimate, relevant experts does not involve any subordination of one's autonomy to the will of a superior other. Indeed, to so act may be the most rational way to exercise one's autonomy.<sup>40</sup> It is therefore not objectionable on relational egalitarian grounds. It does not involve any loss of equal autonomy for individuals to act on the judgement of those they regard as legitimate, relevant, experts. However, this does not suffice to answer the *political* question as to whether expertise can ground the obligation of individuals to follow the directives of institutions such as the state or firm management. Estlund (2007, p.3) considers the presumption that because it is in our interest to obey experts that we should

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<sup>40</sup> At a minimum, it would seem the most rational course of action for you where the end the expertise is concerned with meets all the conditions of being (a) in your self-interest, (b) morally permissible or required, and (c) strictly preferred by you to any other ends. Much debate around the rationality of action would seem to arise due to differing judgements around how to define these conditions and cases where the conditions seem to come apart.

be governed by them to lack an appropriate connecting premise and labels it as the ‘expert-boss fallacy’.

While I agree with Estlund that this is a fallacy, I think there is more to say about why expertise does not by itself automatically generate even a conditional obligation to defer to another’s judgement that would suffice as a justification for epistocratic political authority. For we have just recognised that in other contexts, such as our personal lives, it can be rational for individuals to defer to (legitimate, relevant) expert advice. Furthermore, there are also cases where we accord individuals directive power over the actions of others on grounds related to their expertise. Steutel and Spiecker (2000), for example, argue that in educational contexts there is a close connection between someone being a ‘theoretical authority’ whose beliefs in a given domain should be deferred to and their right to exercise ‘practical’ authority over another’s actions.<sup>41</sup> A teacher’s legitimate practical authority over student behaviour in the classroom is conditional on such authority being necessary for students to learn effectively, but this in turn depends on the teacher being a suitably qualified theoretical authority to facilitate such learning. Among adult learners the conditional obligation to defer to such authority arises from having consented to the end goals of such a learning process. In the case of children it can arguably be justified on the paternalistic grounds.<sup>42</sup> There does indeed appear to be a loss of individual autonomy in submitting to government by experts that is not present in cases where individuals voluntarily consent to accepting expert instruction, but what does this consist in?

I think that the first reason is that grounding political authority on a recognition of the expertise claims of rulers could only generate a conditional obligation to obey that is too weak to serve the purposes of such an authority. As McMahon has argued, the primary function of authority in the state or the firm is to facilitate the co-ordination of activities towards certain objectives. Our obligation to obey such authorities stems from our overriding interest in the successful co-ordination of our activities with others and provides a legitimate basis for such authorities to exercise coercion against individuals when this

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<sup>41</sup> The distinction between theoretical and practical authority is based on Raz (1986).

<sup>42</sup> There are also other grounds for adult practical authority over children in general, which may also apply in the classroom, such as child safety. Steutel and Spiecker argue that as the basis of this authority is greater adult competence at decision-making in general, that it is also a case of practical authority deriving from a form of expertise.



obligation is not recognised.<sup>43</sup> The obligation to obey such co-ordinating authorities can never be absolute, as it always possible there are sufficiently compelling contrary normative reasons. However, to require that individuals are only obliged to obey political authorities when they judge that they are composed of the people best qualified to make the right decisions would rely on a consensus about who the legitimate and relevant experts are that is simply not available in any moderately complex and diverse society. Indeed, it is only a variation on the philosophical anarchist position that individuals should only obey authority when they think the right decision has been made. It therefore assumes away the problem giving rise to the necessity for co-ordinating authorities: the impossibility of collective action if individuals only act for their own independent reasons.

If political (co-ordinating) authorities are to take an epistocratic form then they must inevitably involve an obligation on at least some individuals to obey others whose claims to expertise they do not recognise, and to be subject to penalties for non-compliance. Yet the legitimacy of this would be immediately questionable, because any rational conception of authority must presume its normative basis has to be acceptable to those who are under it (Moore, 2017, pp.63-67). At the very least, then, they would need to be able to endorse the system by which experts were selected as generally reliable, even if they were not able to evaluate all specific expertise claims. In some circumstances there might be individuals who are willing to obey a putatively epistocratic co-ordinating authority merely on the Hobbesian grounds that the alternative would be chaos. However, if the grounds of their obligation do not derive from any acceptance of the expertise of the rulers then it would not provide any rational basis for them to prefer this form of authority to conceivable alternatives.

Some liberal contractarian philosophers might be content to justify epistocratic rule simply if there are reasons that could hypothetically be accepted by those subject to it under stipulated conditions as being in their interests. Kolodny (2014a, p.205) describes this liberal contractarian view of the legitimacy of authority as having 'become almost orthodox among (especially) American political philosophers'. With regard to expert authority, it might be argued on this basis that citizens have an overarching desire that a co-ordinating authority they will in any case be subject to should make decisions which best advance their

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<sup>43</sup> Though such an interest is not sufficient to ground our duty to obey, as this depends also on our acceptance of the legitimacy of the co-ordinating decision procedure.

aims, and that this would be fulfilled by accepting epistocracy. Such an argument need not rest on an actual acceptance by citizens of the expertise claims of rulers and, indeed, arguably could not. For if we are not willing as citizens to incorporate the advice of particular experts when we participate in collective decision procedures then this surely indicates that we do not accept that we would do better to follow their judgement, in other words we do not recognise them as legitimate experts.<sup>44</sup> Yet if we are willing to incorporate expert advice into our political judgements as citizens then there is no necessity for removing ultimate decision responsibility from us. If actual, rather than hypothetical, acceptance of expertise claims was the criterion of epistocratic legitimacy then, paradoxically, institutions of expert rule would be either unnecessary or unjustified.

Any hypothetical consent-based argument for the necessity of expert rule would therefore depend on empirical claims not only about the existence of expertise in political decisions but also about the lack of capability of citizens in recognising the signs of legitimate expert authority. However, given that there are various types of expertise (e.g. from the social sciences) that are plausibly relevant to predicting the effects of political decisions and evidence that many citizens in actually existing democracies have a relatively limited knowledge of political issues in general (Landemore 2013, pp.36-8), then it might be possible to make out some such case.

Yet there is a more fundamental reason that philosophers in the broadly liberal contractarian tradition have advanced for rejecting epistocracy in the political domain. This is that any decisions about what actions to perform, certainly in the political realm, have an ineliminable normative component (Viehoff, 2016). While the advice of technical experts may be important in assessing how to achieve our aims, it cannot establish what those aims should be, or what means are permissible in achieving them. Of course, if we are not moral sceptics, then we might still believe there are better and worse answers to such questions and also that some people make more reliable normative judgements than others. It might even be the case that we could believe there is an identifiable group of people possessing a combination of reliable normative expertise, and at least reliable capability to recognise relevant technical expertise, whom we could entrust to make significantly better decisions

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<sup>44</sup> Or possibly there are no means of establishing the greater reliability of one set of experts over another (McMahon, 1994, pp.159-62).

overall than a democratic majority. However, the difficulty here is that any identification of moral experts would need to be made from inside a particular normative orientation and there are no accepted procedures for generating consensus on such matters among reasonable parties (Estlund, 2007). It would also seem highly doubtful that any such group of 'philosopher kings' possessing the relevant holistic expertise really exists and if they did whether we could be assured they would not give greater weight to their own interests in decisions compared to the wider citizenry.

Yet we might also have a still more fundamental objection to such an argument for epistocracy. Kolodny (2014a, pp.204-6) suggests that we might think the conventional liberal view of the legitimacy of authority as relying on hypothetical consent is simply too permissive. It can serve as a basis for covertly paternalist arguments for authority over people being exercised in their real interests as judged from a third party standpoint rather than their own. From Kolodny's relational egalitarian perspective such arguments are objectionable because they involve subordinating the will of some individuals to that of superior others. Therefore, decision-making authority can be justified only if those subject to it actually have equal influence over the authority's decisions.

Arguably, what underlies Kolodny's objection to us being required to obey decisions we do not have an equal say in making is that respecting a person's equal autonomy to determine their own ends means they must be equally free to make their own normative judgements both as individuals and as participants in collective decisions. Such freedom must also include judgements about whom they regard as normative experts and to reject expert advice when it conflicts with their preferences, however mistaken these seem to others.<sup>45</sup> When it comes to personal decision-making we do not normally presume that individuals should be forced to follow the advice of experts (e.g. as regards their own individual health) due to respect for the value of autonomy, which must surely include the freedom to make, and learn from, mistakes if it is to be meaningful. It is not clear then why we should not also value the autonomy of individual citizens when engaged in making political decisions. While it might be argued that autonomy is less appropriate for political decisions because they affect the interests of others or deal with issues more remote from personal experience, a

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<sup>45</sup> Adult-child authority relations, discussed earlier, are distinct from this as children, as a rule, do not meet the minimum competency threshold to be regarded as autonomous, therefore justifying paternalism.

deliberative democratic process ought to expose citizens to the perspectives of others and disseminate information that allows them to recognise legitimate expert advice that ought to be taken into account. It might also be reasonable for citizens to use their judgements of the expertise of others, particularly of the normative variety, as a criterion when electing representatives (Viehoff, 2016). Citizens, or their elected representatives, may also delegate decisions concerning the means to securing their ends to technical experts, as indeed is common practice in politically democratic states.

### **3.4 Equality, expertise and firm management**

Given that the case for epistocracy is generally rejected where political decision-making is concerned, and we appear to be on secure ground in doing so, to what extent might similar arguments apply as regards firm management? It might be thought that economic enterprises, unlike political associations, have defined end goals (e.g. profitability) and therefore that the considerations relevant to decision-making will be more concerned with means rather than ends. As outlined in section 3.1, there is a degree of plausibility in the view that some individuals possess comparatively greater technical know-how relevant to strategic decision-making about which means to employ.

However, the view of 'management' as only a technical skill belies the unavoidable normative dimension of decision-making within firms. As McMahon (2013) has emphasised, the management of firms face choices relating to the impact of pursuing their organisational goals (e.g. profit seeking for the typical private enterprise) on the wider public interest. The decisions that management, particularly of large scale enterprises, makes can have substantial positive or negative consequences for consumers, suppliers, the natural environment, local communities and even nation-states. While governments may seek to limit the harms that may result, for example by regulation, the efficiency case for a largely decentralised market economy relies on firms retaining substantial discretion in decision-making that leaves significant scope for managers to evaluate the normative trade-offs involved. There is no reason to think that firm managers have any special expertise in making normative judgements. Yet ordinary workers are typically granted no right to participate in the making of such decisions and are also obliged to carry out actions flowing from them, on pain of dismissal, even if they run counter to their moral convictions.

Furthermore, workers can have differing views from managers about how to define the social value and purposes of their activity. As Isabelle Ferreras has suggested, to the extent that the management of an enterprise are accountable only to financial investors then its goals will reflect an instrumental logic that prioritises the pursuit of financial returns.<sup>46</sup> However, for those who invest their daily labour in an enterprise it is likely to be much more psychologically difficult to conceive of the purpose of their activity in these terms, or even simply as a means to their own financial well-being. They are likely to find aspects of intrinsic meaning in their work activity, for example taking satisfaction in being able to perform their job to certain standards or in the social contribution they are making, and their satisfaction with work is likely to be compromised to the extent this expressive logic is denied by management decisions (Ferreras 2017, pp.79-93).<sup>47</sup>

Nor, as Ken Kusterer has argued (Kusterer, 1978), is it satisfactory to ascribe this psychological orientation to finding meaning in work as 'false consciousness' designed to reduce the cognitive dissonance involved in labouring for the profit of others, as some Marxist accounts might do. For this would be to beg the normative question as to what purposes work activity ought to serve. While workers may be unable to fully realise their conceptions of meaningful work while subject to the instrumental logic of capital investors, we can still recognise it as an arena of conflict between the two, no less than questions of wages or health and safety conditions. For example, professionals and frontline public service workers may employ particular normative conceptions and standards in evaluating their work that differ from the more instrumental and quantifiable ones employed by senior managers in measuring their contribution (Aldred 2009, pp.201-2). Survey and interview research indicates that even for workers in highly routinised occupations, such as machine operators, bank tellers and supermarket cashiers, commitment to doing a job well –

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<sup>46</sup> In reality, of course, this is something of an oversimplification. Some investors, particularly owner-managers, may have interests in the firm's activities that go beyond financial return. And, as Ferreras herself recognises, in corporations where ownership and control is separated, their management will have varying degrees of autonomy from investor interests (pp.95-9). Nevertheless, this is a constrained autonomy in which the instrumental logic of financial investors carries substantially more weight than the normative conceptions of workers.

<sup>47</sup> Ferreras (pp.83-4) also suggests some other aspects of intrinsic meaning that can be derived from work including a sense of inclusion in society, intellectual stimulation and scope for exercising one's decision-making capacities. While I agree these factors also contribute to job satisfaction, they seem to me to be non-pecuniary instrumental goods a person obtains from work, rather than reflecting a normative conception of the social value of work activity. They also are more variable in the extent to which they are present in different jobs.

according to standards defined independently of management – is necessary for self-respect and respect from colleagues (Ferreras 2017, pp.83-90).

The types of cases highlighted by McMahon – where there is disagreement about the moral acceptability of decisions – are arguably just the most conspicuous examples of managerial decisions that have normative content. For managers cannot rely on arguments from expertise in imposing any particular aims and goals on the firm as a whole, as these will always be matters where conflicting preferences among those who work in the firm are possible. For example, workers may have different preferences about the lines of business and type of work activity they would enjoy, the location of their activity, work intensity and working hours, and their desire to contribute to wider social goals.

Management expertise as taught in business schools simply takes for granted that firms should serve the interests of their investors (typically profit maximisation) and that the preferences of senior managers will shape its concrete strategic goals. However, many aspects of such expertise, for example regarding how to ensure subordinates do as you want, are relevant only within the context of hierarchical organisations themselves (Parker, 2018). Interestingly, strategic decision-making by senior managers was not generally regarded as part of ‘management’ activity by management studies until the 1960s, precisely since it was concerned with judgement of ends rather than means. The selection of strategic goals for a firm was regarded as involving the exercise of discretionary judgement in a situation of great complexity and ambiguity and hence an unsuitable area for the application of specialised professional technique. (Knafo et. al, 2018).

Yet a recognition that workers have a legitimate claim to formulate the end goals of their firm might by itself only establish a fairly limited role for ordinary workers, or their elected representatives, in firm management. As outlined in the introduction, McMahon (1994, pp.262-6) has plausibly argued that a democratic state has the right to balance the claims of workers to control their firm against the societal benefits that may flow from expert management. As one possibility here we might imagine something similar to the two-tier board structure of German companies,<sup>48</sup> firms governed by a council of worker

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<sup>48</sup> In Germany, half of the supervisory board of large firms are worker representatives (Ferreras 2017; pp.48-53).

representatives that has overall responsibility for agreeing strategic goals but in which day to day executive management is in the hands of those selected for relevant expertise. This would still represent a great democratic advance compared to the typical hierarchical firm and is not in fact dissimilar to the relationship between elected representatives and senior public officials within existing state structures. It would arguably do enough to remove a fundamental objection to existing firm hierarchies I raised in chapter 1, which is that workers are subordinated to decisions made ultimately by others. However, as I have suggested in chapter 2, we might still have a concern that simply adding an elected layer on top of a hierarchical decision-making structure would still perpetuate undesirable 'rankist' attitudes which devalue the social status and epistemic capabilities of those in the lower ranks of the organisation. There is also a risk that if worker representatives are highly reliant on the advice of experienced senior managers that the latter could exploit this to secure decisions that fitted with their own interests and preferences.

However, whether even knowledge of the technical aspects of management decisions – concerning the selection of the most efficient means to realising strategic goals – can be regarded as necessarily the province of a minority of experts is highly questionable. Hayek (1945) famously distinguished 'scientific knowledge', consisting of knowledge of verifiable generally applicable propositions and statistical facts from 'knowledge of the particular circumstances of time and place', sometimes referred to as 'local knowledge' (Fischer 2000). While the former might in principle be turned into a codifiable body of knowledge that could be mastered by a group of experts, no individual or group of individuals could build up a comprehensive knowledge of the latter, bound up as it is with a situated personal perspective. It was partly on these grounds that Hayek claimed that Soviet-style centralised state planning of the whole economy would fail to be as efficient as co-ordination through transactions between individuals guided by price signals, since the latter could make much more effective use of local knowledge in a changing environment.

It seems highly doubtful that an empirical science of management exists. Arguably a large part of managerial skill is not going to be codifiable because it relies on local knowledge (of particular companies, sectors etc.) and the accumulation of practical experience. The latter might not easily be communicated in abstract propositional form to others and so represent what, following Michael Polanyi, is often described as 'tacit knowledge' (Wainwright 1994,

p.52).<sup>49</sup> Management education as taught in business schools appears to be a mixture of analytic knowledge of relevant procedures (such as accounting rules), tangentially relevant social scientific theorising and case study evidence, effectively an attempt to benefit from the past experience of others. Formal training in it appears to be neither a necessary nor a sufficient condition for successfully performing managerial roles and its usefulness has been frequently questioned (Linder and Smith, 1992; Parker, 2018). More popular 'airport bookstore' literature on the practice of management tends towards an extreme subjectivism and unverifiability, highlighting the alleged personal genius of 'superstar' CEOs and the liberal use of pseudo-profound aphorisms (Gupta, 2001, pp. 103-111).

Evidence from organisational studies also indicates that selection for leadership positions is highly correlated with personality traits, such as self-confidence and a high dominance orientation, that are unrelated to technical competence. While such traits may well have positive impacts on certain aspects of leadership performance, such as the ability to secure compliance from others, they are not indicative of any superior decision-making ability and have even been associated with less empathetic, more dogmatic and more risk loving approaches that reduce the quality of decisions (Brown and Anderson, pp.72-3).<sup>50</sup>

Conceivably, organisations led by a few individuals who truly do have exceptional decision-making abilities might sometimes perform better than a more distributed system of decision-making. However, to design an organisational structure that concentrates decision-making power among a few, especially when not accountable to others, would not seem very prudent.

To the extent that managerial competence is related to a certain amount of experience and a degree of training in relevant procedures, then it would surely be as possible for elected worker representatives to possess or acquire these as for elected shareholder representatives to do so. The idea that one is less likely to select for technical competency than the other appears to be something of a red herring, as workers no less than investors have an interest in the firm efficiently achieving the aims they set for it. In any case it is

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<sup>49</sup> Gilbert Ryle (1945-6) made a similar distinction between 'knowing-how' and 'knowing-that'.

<sup>50</sup> Other factors irrelevant to decision-making ability that are also demonstrated to affect selection for leadership roles included sex, ethnicity, age and physical attractiveness. To the extent that there is also inequality of opportunity between different social groups in acquiring the credentials of technical competence, this would further undermine a meritocratic defence of organisational hierarchy.



unlikely that existing procedures of managerial appointment really do select for the most technically competent decision makers given pervasive background inequalities of opportunity relating to social class, gender and race. The notion that CEOs are exceptionally talented individuals may be a useful myth for justifying extremely high salaries, but there is statistical evidence to suggest that who the CEO is actually makes little difference to a firm's profitability (Tervio, 2008).

### **3.5 Distributed expertise and inclusive democratic deliberation in the firm**

Furthermore, it would be a mistake to think that democratic worker-management of firms simply involves replacing one set of individuals with another more or less competent set. For even purely representative democracy in the firm involves a far greater number of people participating in selecting the decision makers and it provides a potential basis for reconstructing the firm so that there is greater participation across a broader range of decisions than that. And there are a range of considerations which might suggest that widening the group of people involved in decision-making is likely to improve its quality, rather than worsen it (Landemore, 2013).

Some of these considerations concern the mechanics of aggregation of voter preferences. The Condorcet Jury Theorem demonstrates as a mathematical proof that as long as the judgement of each individual voter is better than a random coin flip and all vote according to their true judgement, uninfluenced by others, then the probability that the majority of voters will be right on a binary question is greater than 50% and increases with the size of the population. Similarly, the Miracle of Aggregation identifies a statistically verifiable tendency for the average guess of large numbers of people about factual questions to be highly accurate as the errors they make cancel out. This holds even if some are better informed than others, as the accurate guesses will reinforce each other while random uninformed guesses will cancel each other out. However, the sensitivity of these results to the assumptions around people judging independently of one another and voting on the basis of their judgement rather than for contrary self-interested or strategic reasons arguably severely diminish their applicability to real world processes of collective decision-making, whether in the state or the firm. While Landemore (2013, pp.149-156) suggests some reasons to think these conditions could often be met, at least in a more ideal society, these do not seem particularly convincing if we accept extensive social scientific evidence

that people are not likely to be perfectly rational altruists and that human behaviour tends to be strongly affected by social influence, psychological biases and calculation of perceived interests (Ariely, 2008).

More plausible are considerations around how including a greater diversity of perspectives may improve the quality of decision-making. Landemore (2013, pp.89-117) points to research by Lu Hong and Scott Page indicating that groups that have high 'cognitive diversity' in terms of the way people think about how to solve a problem can often outperform groups with higher average ability but lower diversity. In seeking to solve a problem it thus tends to be useful to consider a variety of different perspectives, which relying on a group of experts might not provide, particularly if their background, training or experience inclines them to think similarly. Landemore suggests that this provides an argument for a maximally inclusive deliberative process for political decision-making, on the grounds that we don't know what types of perspective will prove useful in solving future political problems but we do know that by increasing the number of people involved we will tend to promote cognitive diversity.

Landemore's conclusions have been questioned on the basis that Hong and Page's results are not derived from empirical studies of actual deliberative processes, but rather from computer modelling of problem solving by virtual agents with differing problem solving abilities and strategies (Quirk, 2014). While the use of virtual simulation methods in no way undermines the validity of the findings, it is important to assess whether the conditions under which the 'diversity trumps ability' result arise are likely to be present in actual political deliberation. One such condition is that the individuals tasked with solving problems possess a minimum relevant ability to do so. Landemore holds that such a condition is, or at least could be, satisfied with regards to decision-making by citizens on broad political issues, and indeed any justificatory theory of democracy would surely need to rely on some such claim. Even purely proceduralist defences of democratic decision-making in terms of equality or fairness must surely include some account of the nature of relevant decisions and the characteristics of potential decision makers. Hardly anyone seriously suggests, for example, that very young children possess the minimum relevant ability for political decision-making.

A more serious difficulty with Landemore's claim that Hong and Page's research supports inclusive deliberation is that there is no communication between agents in their simulations, thereby serving as a model of pure preference aggregation that may be far removed from the outcomes of a deliberative democratic process. Whether a diversity of perspectives positively influences such outcomes would seem dependent on the extent to which judgements which are more accurate, but possibly less obvious to many, are given a serious hearing in the deliberative process. Empirical studies of whether greater diversity of social identity characteristics (e.g. gender or ethnicity) lead to more successful decision-making by businesses have yielded mixed results (Ioannides, 2010). Such diversity does appear to be beneficial when a company culture values it and seeks to reap the potential benefits of differing perspectives for decision-making. However, if the culture is lukewarm (or worse) towards diversity then it can worsen business performance by making mutual understanding of differing views within the business more difficult to achieve. Social identity diversity is likely to be in some ways a highly imperfect proxy for the cognitive diversity that Hong and Page claim is beneficial, as the latter cut across social identity groups. Nevertheless, it would seem reasonable to suppose that parallel dynamics would be at play as regards possibly contrary sets of effects on deliberation in differing social contexts.

However, given a sufficiently supportive ethos, many of the other conditions for more inclusive deliberation to improve decision-making would seem to be present within firms. Particularly in large firms, we can expect that a small group of senior managers selected by similar institutional and social processes will exhibit less cognitive diversity than the workforce as a whole. Landemore's thought that cognitive diversity might be particularly useful in an evolving context in which we don't know what future problems might arise certainly seems relevant as regards decision-making by firms operating in changing market conditions. And a systematic review of a range of studies on group performance does indeed find that relatively flat organisational structures tend to perform better than more hierarchical ones in decision-making contexts that require creative adaption to changing environments (Anderson and Brown, 2010, p.68).<sup>51</sup> Problems of systematic cognitive biases

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<sup>51</sup> Conversely, the review finds hierarchy tends to be more effective which groups are confronted with simple, routine problems. However, that would seem a rather unlikely decision-making context for many large scale enterprises. And there are other factors that the review finds tends to reduce the relative effectiveness of more hierarchical organisations – when top positions are occupied by individuals who lack superior technical competence or have an autocratic leadership style, and where a high degree of collaboration is required on

and rational ignorance would seem at the very least to be no worse than afflict democratic decision-making within states and plausibly might well be less significant in the context of the firm. For given that firm decision-making only encompasses a limited (though important) aspect of life and the shared interest around the primacy of continued firm viability in the market, conflict over end goals and ideological division is likely, if anything, to be relatively lower and the potential for individual influence over decision-making outcomes greater.

The idea that greater participation by workers could result in the selection of more efficient solutions to instrumental problems of management is reinforced when we consider that it is not only senior managers who possess relevant local and tacit knowledge, but that such knowledge will be distributed throughout the workforce. As critics of Hayek such as the sociologist Hilary Wainwright and the philosopher John O'Neill have argued, his presumption that local and tacit knowledge can only be effectively transmitted through the market is unjustified. Rather, it is possible for such knowledge to be co-operatively shared within sub-state associations and groups to enable them to reach an understanding of their problems that, while not a comprehensive and codifiable body of knowledge, could not have been achieved by any individual in isolation and enables improved decision-making. Indeed, there are reasons to think the market often fails to effectively disseminate such knowledge, particularly in the internal management of firms, which are governed by hierarchies rather than markets. Ironically, by relying on the use of codifiable knowledge at the centre, large capitalist enterprises replicate some of the problems of state planning (Wainwright 1994, pp.106-110; O'Neill, 1998, pp.138-142).

Wainwright points to grassroots social movements – particularly 1970s women's liberation groups – as examples of how collective pooling of everyday individual experiences can lead to the emergence of new perspectives on public policy that could not have been generated either by detached theorising or 'codifiable' positivistic research. A prime example that Wainwright points to of the potential that can be realised through the active sharing of tacit knowledge among workers is that of shop stewards at Lucas Aerospace in the 1970s who developed an alternative corporate plan that proposed to redeploy skilled workers at risk of

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activities. They also find fairly consistent evidence that the negative impact of steeper hierarchies on the motivation of lower ranked individuals exceeds positive motivational impacts for the higher ranked.

redundancy onto the creation of a range of innovative new technological products for civilian, rather than military, use (Wainwright, 1994, pp.162-4). In a very different context, she also details how, at the turn of the twenty first century, the union representing IT and other back office administrative staff at Newcastle City Council successfully resisted privatisation by developing an alternative plan for restructuring services to improve efficiency and responsiveness to the public (Wainwright 2003, pp.143-179).

Sociological research from the 1970s indicates that a significant degree of tacit working knowledge is possessed by all workers, even those conventionally classified as 'unskilled' (Kusterer, 1978). Even those with the least scope for discretion in their jobs must exercise their judgement in solving problems that interfere with the following of routine procedures.<sup>52</sup> These judgements were informed by practical experience across four dimensions concerning the properties of materials or documents handled, the workings of machinery or equipment, patterns of customer behaviour and the workings of the organization (Kusterer, 1978, pp.140-5). For example, interviews with factory workers operating machines to make paper cones found they had acquired a sophisticated understanding of the properties of their machines and the qualities of the paper used, enabling them to optimise their use of the machines and avoid them slowing down or malfunctioning. They also had a fine-grained awareness of the extent to which their output met acceptable standards of usability and presentation and of strategies to secure the co-operation of other factory operatives such as mechanics and material handlers that were essential to performing their jobs well (Ibid, pp.45-62).

While this practical working knowledge might seem quite far removed from strategic organisational decisions, it seems reasonable to suppose that it can have a relevant bearing even on them, and more so on more localised decisions. The point is not that the tacit knowledge of such workers automatically enables them to be fully competent at tackling questions of strategic management, but rather that their situated perspective can yield insights into such questions that are not available to others. Indeed, the management of non-democratic hierarchical firms has sometimes recognised the value of gaining access to

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<sup>52</sup> A feature of contemporary developed economies is that highly routinised jobs are in any case increasingly automated. While large numbers of jobs classified as 'unskilled' remain these typically involve activities, such as care work, that involve significant human judgement and thus are difficult to automate (Goos and Manning, 2007)

such insights through mechanisms of worker consultation, such as the problem-solving 'quality circles' pioneered by Japanese companies, in which workers across grades meet regularly to discuss solutions to problems common to their work areas (Lawlor and Mohrman, 1987). However, it is reasonable to suppose that the structure of such firms will tend to make them relatively ineffective in utilising these insights compared to more participatory alternatives. For if hierarchy is a firm's central organising principle, then this will institute barriers to effective communication between workers and management, barriers relating to opportunities, incentives and ethos.

Firstly, any opportunities for ordinary workers to contribute to firm decision-making would be supplementary to its core decision-making procedures. As such, the views of workers would be incorporated in higher level decisions only when it was considered by those of higher rank that it would be useful to refer decisions to them and not as a matter of routine. Yet it is an essential characteristic of local and tacit knowledge that its scope and relevance is not something that could be anticipated in advance by those that do not possess it. As workers who are excluded from decision-making processes would often lack information about the matters under discussion, the possibilities for them to spot relevant opportunities where they could make a useful contribution would also be low.

Secondly, the incentives for communicating relevant information and knowledge between different levels of a hierarchy will often be weak or even negative. Higher level managers are likely to be resistant to sharing information that might lead to a questioning of decisions which they ultimately bear the responsibility for making, particularly if they anticipate these decisions detrimentally affect the interests of subordinates. From the point of view of workers, the benefits from sharing information with higher level managers would appear very limited and will often involve some degree of risk, for example that it might be used to intensify the pace of working or eliminate areas of work. Given that lower ranked individuals have incentives to seek the approval of those of higher rank, they are also likely to weigh the consequences of voicing opinions that conflict with the known preferences of superiors more strongly than the reverse. Indeed, empirical studies of organisations find that hierarchy tends to detrimentally affect communication not only between individuals of different ranks but even among those of similar rank, perhaps because of the trust reducing

effects of the heightened competitiveness that hierarchy engenders (Anderson and Brown 2010, p.24).

Finally, as I have suggested in chapter 2, the social ethos that hierarchical structures reproduce is likely to foster a tendency to discount the possibility that lower ranked workers are a source of valuable insights, and therefore to deflate the credibility of testimony from such workers and to avoid seeking it out. In the context of organisational decision-making, such epistemic injustice must always tend to reduce the quality of decision-making, because it is an essential part of the definition of such injustice that testimony is not being accorded its correct weight from an epistemic perspective, as well as a normative one. Furthermore, a hierarchical ethos can also be detrimental even to the development of a beneficial diversity of perspectives within an organisation. Evidence from psychological studies of organisations suggests that the thinking of lower ranked individuals tends to become more similar their superiors over time. And, unsurprisingly, even where diversity does persist at the level of opinion, lower ranked individuals will put their views forward less strongly, if at all, in discussions (Anderson and Brown, 2010, pp.67-8). Lower ranked individuals will also tend to be more doubtful of their own competence and so of the value of their potential contributions (Ibid., p.76).

We might also expect that more inclusive deliberation will improve the normative quality of management decision-making. At present, many managerial decisions that can have harmful external effects are taken by small numbers of individuals who do not have to justify themselves to others. The institution of democratic processes that facilitate open discussion and contestation of such decisions among the workforce as a whole ought to bring some of the relevant normative considerations more to the fore, even though as individuals ordinary workers may not necessarily be any more sensitive to them than their superiors.<sup>53</sup> The argumentative theory of reasoning suggests that the primary evolutionary function of reasoning is to develop arguments to persuade others and to evaluate the claims that others make (Landemore, 2013, pp. 123-144). The reasoning process of individuals

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<sup>53</sup> Though there are reasons to think that they might be. For processes of self-selection into high ranked positions are likely to favour individuals with a high dominance and low empathy orientation (Anderson and Brown 2010, pp.70-1). Evidence from psychology also suggests that the ability of high status individuals to empathise with those of lower status atrophies as it less required for successful social functioning (Fiske, 2010).

deliberating on their own is likely to be distorted by various biases, including motivated reasoning, and so be less competent at evaluating the strength of contending arguments than an open deliberative process. However, as there is also a tendency for discussion only among those who think similarly or form a narrow 'in-group' to converge on conclusions with insufficient consideration of opposing arguments, deliberative processes also need to be inclusive. Simply being required to present justifying reasons to those outside of a narrow 'in-group' seems likely to stimulate greater internal deliberation on the implications of a decision for others. Open deliberation on normatively controversial questions will result in these reasons being subjected to more critical evaluation and so be more likely to expose unsound normative judgements or decisions based on narrow self-interest. A deliberative process that is inclusive of individuals occupying different positions within a firm's workforce is also likely to involve a greater diversity of normative and social perspectives relevant to the matter being decided.

## **Conclusion**

In this chapter I have examined the objection from comparative expertise against collective worker-management of firms. I have suggested such an objection may have intuitive plausibility because it is credible to maintain, in a hypothetical role reversal, that a typical worker within a firm is likely to possess less technical managerial ability than their current senior management. Furthermore, there would seem to be no egalitarian case against voluntary acceptance by adults of expert authority as a means of achieving their goals. However, I have suggested that the objection from comparative expertise fails to be persuasive. Firstly, because, analogously to state decision-making, firm management involves a power to direct the behaviour of others and so has a normative dimension that affects the autonomy of those under it to pursue their own normative ends. Normative experts can only be identified from within each person's autonomous normative perspective and so there is no basis for resolving normative disagreements through reaching agreement on a set of experts who will take decisions for us. Any putatively epistocratic institutions would therefore involve the subordination of the normative judgements of some individuals to those of superior others and be inconsistent with relational equality. Kolodny's argument that only democratic procedures can avoid the judgements of some being treated as superior or inferior to others is therefore undefeated. Given this, my claim that the



appropriate end goals of a firm ought to be resolved through democratic deliberation by all those subject to its authority still stands.<sup>54</sup>

Secondly, I considered the implications of McMahon's (1994) argument that society has the right to balance the *prima facie* legitimate claim of workers to democracy in the firm against possible societal benefits flowing from the greater comparative expertise of non-elected management. However, the case for societal benefits from non-elected management does not seem very strong, even as regards the technical aspect of management decision-making. For effective management appears to be associated with practical experience rather than with mastery of any body of codifiable specialised knowledge. It is not clear why elected worker representatives would not be able to achieve a similar amount of practical experience and to draw on similar resources of technical expert advice. Furthermore, collective worker-management of firms does not simply involve replacing one set of managers by another more or less competent set. By allowing for more inclusive deliberation by all workers it would plausibly raise the quality of deliberation on both the technical and normative aspects of enterprise decisions, drawing on the differing cognitive perspectives and local and tacit knowledge of workers that is distributed throughout the firm.

If we accept the thesis that the ultimate authority over the rules of association of a firm ought to be vested equally in all those subject to the association's decisions, or their representatives, then questions concerning the precise form and extent of direct worker participation in decision-making would of course be matters for them to decide upon. While in small scale enterprises the scope for maximally inclusive participation is clearly apparent, we need not rule out potential efficiencies associated with rank-based line management in larger enterprises governed by elected representatives. However, we might anticipate that worker-controlled firms would be more willing to experiment with participatory models of decision-making that reduce the authority and status associated with rank. While this might still involve unequal direct influence by workers on decision-making, for example because of variations in relevant tacit knowledge, any decisions made would ultimately need to be

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<sup>54</sup> At least for the typical commercial enterprise. The extent to which there might be wider public interest in the end goals of some organisations, notably those vital to the functioning of political democracy itself, such as the armed forces, is considered in later chapters.

acceptable to the workforce as a whole, limiting the extent to which they could privilege the interests or judgements of any particular group of workers.

## **Part 2 – State Intervention and Democratising Work**

## **Chapter 4: Liberty, and the role of the state in regulating firm governance**

In previous chapters, I have been concerned with exploring the implications for the internal governance of firms of a normative commitment to valuing relational equality. However, the question about what forms of firm governance are normatively justifiable is distinct from whether the state ought to encourage - or compel – firms to adopt them. The dominant liberal view among political philosophers proposes strict normative limits on the extent to which states should interfere with the liberty of individuals or associations. While many supporters of democratic worker-management of firms might not wholly share this liberal outlook, they ought not to dismiss the broader question about the appropriate state role in promoting it. For no political outlook that places a significant value on personal autonomy can suppose that it is appropriate for the state to coercively enforce everything that is normatively desirable. Even if it were practicable, such a stance would undermine the autonomy of individuals to make their own normative judgements and to exercise moral responsibility for their own actions. As I have outlined in chapter 1, the normative egalitarian theory that I am most sympathetic to is a ‘pluralist social egalitarianism’ in which relational equality represents an important value against which to judge all forms of social relationship, but one that has to be weighed against others, including individual autonomy.

Of course, there are a range of plausible views about how autonomy or liberty should be defined, the normative weight it should be accorded in comparison to other values, and the positive or negative duties that the state has in securing it. For the purposes of this discussion, I will focus on a critical engagement with the Rawlsian liberal understanding of the role of the state and how it might relate to firm governance. In part because it represents the dominant and most developed view in political philosophy, and also due to the relatively strict limits it might seem to imply for state interference with private decision-making, perhaps only exceeded by right-libertarian views. The purpose of this engagement is not to demonstrate that all liberals should endorse my conception of what relational equality in firm governance requires, but to establish how far a state committed to liberal principles could justifiably take action to implement what I take to be required for relational equality, if and only if it is indeed so required.

The conventional liberal view is supportive of state regulation of the employer-employee relationship, but not of legislating for collective worker-management of firms. A question I shall repeatedly return to in this chapter is whether there are plausible liberal grounds on which to defend such a distinction. It is perhaps too readily supposed that advocates of worker-management are implicitly (or explicitly) relying on a perfectionist justification that would obviously contravene the standard liberal test of justificatory neutrality. However, I will argue that egalitarian or republican justifications for worker-management are compatible with state neutrality and that this is so even if a more expansive concept of 'neutrality of treatment' is applied. Some liberals might nevertheless be concerned that legislating on the internal decision-making processes of commercial associations might violate basic liberties, principally freedom of association. Given that no attractive political outlook denies the importance of these liberties this could potentially be a fatal objection. However, an exploration of the literature on what we truly find valuable about freedom of association strongly indicates that legislating for democracy in firms falls squarely within the legitimate scope of state regulation of commercial associations. Finally, I consider whether there is something fundamental about the liberal view of the appropriate scope of a theory of justice that excludes relational egalitarian arguments of the sort I advance as even plausible candidates for how a liberal state could justify its actions.

#### **4.1 Democratic worker-management and neutrality of justification**

Some liberals might question whether state promotion of democratic worker-management of firms is consistent with the principle that the state ought only to implement policies that can be justified in terms that are neutral between differing reasonable conceptions of the good that citizens may hold. For many liberal philosophers, influenced by Rawls, such neutrality of justification is necessary for respecting equally the formal autonomy of citizens to determine their own aims in life. The state is only regarded as being justified in affecting how individuals freely choose to pursue their own ends when this is consistent with, or required by, such impartiality, notably when it is a requirement of securing justice between individuals.

It might appear paradoxical that safeguarding autonomy could constitute an objection to the state promoting the democratisation of firm governance. For the case in favour of democracy at work is often made in terms of securing the autonomy of wage-dependent

classes from the domination of a capitalist or managerial class (Gourevitch, 2013; Breen, 2015). However, even liberal theorists sympathetic to such autonomy-based arguments have argued that there are limits to the degree of permissible state intervention, which fall well short of 'mandating' democratic governance structures across all employment settings (Miller, 1989, Osawa, 2011, Malleson, 2013). This is because there are conceivably trade-offs between enhanced autonomy in one's working life and other goods that people might value such as financial return, leisure time, or even a lower burden of responsibility and distaste for participation in management decisions or political processes. Indeed, for some people, such as those whose conception of meaningful work is bound up with the development of individual technical skill, time spent on such activities might seem to detract from the meaningfulness of their working lives.

Nor would this only seem to be a problem for liberal theorists committed to a robust view of state neutrality about the good. For even more perfectionist forms of liberalism that treat substantive autonomy as an important good to be promoted by the state cannot plausibly be committed to maintaining that autonomy is the *sole* good in life. Therefore, a good deal of substantive argument would be required to demonstrate that autonomy at work necessarily and universally trumps other goods that people might seek from employment. Such a case is made even more difficult when we acknowledge that working in a democratic firm does not guarantee greater autonomy on the job for the individual worker, as they remain subject to the authority of collective decision-making.

Yet the objection from justificatory neutrality would only seem to rule out those arguments for democratic worker-management that are based on democratic participation being a crucial element either of meaningful work, or of an ideally autonomous life. There are, though, reasonable republican and relational egalitarian arguments for a right to democracy at work that are deontological in form, and so impartial with respect to conceptions of the good. The republican case for democracy at work is that it is necessary to prevent wage-dependent workers from being dominated by the arbitrary power of employers and managers (Gonzalez-Ricoy, 2014; Anderson, 2015). A commitment to non-domination might be seen as advancing a particular conception of the good as autonomous decision-making but, in general, contemporary republican philosophers would reject this characterisation, with some styling themselves as liberal-republicans (e.g. Thomas, 2017). This relies on a

subtle distinction between preventing others from being able to interfere with an individual's freedom of choice, deemed consistent with liberal neutrality, and positively valorising choosing to make one's own decisions rather than to follow the precepts of others.<sup>55</sup> Many republican theorists of course deny that democracy at work is required to secure non-domination, suggesting that the arbitrary power of employers and managers can be sufficiently constrained by state regulation and empowerment of worker voice through trade unions and procedures for consultation, or at most, co-determination (Hsieh, 2005; Dagger, 2006; Anderson, 2015). Others (Gourevitch, 2013; Gonzalez-Ricoy, 2014; Breen, 2015; O'Shea, 2020) believe that such mechanisms still leave employers with too much discretionary power over final decisions to amount to a condition of non-domination, an assessment which, as I have explained in chapter 1, seems to me the more realistic one.

Less extensively considered by philosophers have been egalitarian arguments for democracy at work.<sup>56</sup> As I have outlined previously, I believe there is a plausible relational egalitarian case that can be developed here, analogously to Niko Kolodny's (2014) account of political democracy. This account objects to the relational inequality deemed inherent in subordination to the will of superior others and, for Kolodny, is consistent with liberal neutrality, in a way that is structurally somewhat analogous to the republican complaint against non-domination. For it is not an argument based on the positive value to us of making our own autonomous decisions over being bound by the decisions of an authority, but about what form authority should take if it is to respect all those subject to it as being of equal status. Neither does it rely on any positive claims about the value of participation in democratic processes, since all it requires is the equal opportunity to influence decisions, not that this opportunity is necessarily exercised. While legislation to provide a right to democracy at work would no doubt facilitate people living lives of greater autonomy and participation in decision-making, liberal neutrality does not require state action to be neutral in its effects on promoting conceptions of the good, as these effects are mediated by voluntary individual actions.

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<sup>55</sup> Breen (2015) argues the distinction may be too subtle and republicans cannot avoid some minimal positive content to their ideal of non-domination.

<sup>56</sup> Though see Young (1979); Walzer (1983); Dahl (1985); Gould (1988); and McMahon (1994).

These republican and relational egalitarian arguments for democracy in firms could conceivably be regarded as an appeal to what justice in firm governance requires and, as such, having moral priority over other preferences that people might happen to have. Indeed, such theorists as Iris Young (1979) and Nancy Fraser (2003) have advanced deontological conceptions of justice in which the principles of equality and democracy apply concretely across all major social and economic institutions, and not just as constraints on the basic political constitution of society as in the Habermasian view and the usual interpretation of Rawls.<sup>57</sup> That egalitarian normative considerations of fairness are of wider relevance than the formal political sphere has also been suggested more recently by Chiara Cordelli (2016) who highlights even within contexts that do not involve direct coercion it is plausible to suppose there is a normative demand (of equal respect) which gives rise to a claim of reciprocity for a fair return on our participation in any collective project. She posits the example of the head of a scientific research team arbitrarily excluding a junior member of the team for any credit for its research outputs, suggesting that such behaviour would constitute a *pro tanto* failure of equality of respect for each team member. This would still hold even if the researcher had freely signed a contract waiving her claim to be credited, as, in the absence of a special justification, the terms of such a contract would themselves indicate inequality of respect, and so be harmful to the dignity of the affected party.<sup>58</sup>

Indeed, evidence from experiments by behavioural economists suggests considerations of fair reciprocity are hardwired into our assessment of all human interactions (Hoffman, et.al, 2008). In the famous ‘ultimatum game’ experiment, one player is told that they must make a second player an offer of how to divide a fixed pot of money between them. Providing that the second player accepts this offer, the division is made accordingly and the game ends. If both players were concerned only with maximising their monetary payoffs, then the expected outcome of such a game would be for the first player to offer the most unequal division possible, and for the second player to accept it as being better than nothing. However, what is far more commonly observed are much more generous offers, and not infrequently an even split. As players know there are no further rounds to the game, there is no strategic reason for the first player to make generous offers in the expectation such

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<sup>57</sup> Fraser describes her position as ‘thick deontological liberalism’ (Fraser, 2003, pp.228-233).

<sup>58</sup> This is not to say such contracts should necessarily be prohibited, but that they are normatively troubling.



behaviour might be reciprocated in future. It may nevertheless be that they anticipate the second player may punish them for unfair behaviour by simply declining their offer even at a cost to themselves, and they would be right to have this concern, for such behaviour by second players is also frequently observed. An even purer attitude of fairness is often observed in the 'dictator game' experiment where one player is simply allowed to decide how to allocate a pot of money between themselves and a second player. Despite the fact they can be sure to keep all the money if they so decide, the decision-maker in these experiments frequently chooses to award some to the other player.

#### **4.2 Democratic worker-management and neutrality of treatment**

However, neutrality of justification and the implausible standard of neutrality of effects are not the only conceivable interpretations of liberal neutrality. Alan Patten (Patten, 2014, pp.121-165) has suggested that there are cases in which neutral justifications can be provided for policies that would, nevertheless, be widely regarded as intuitively biased in favour or against some conception of the good. It might be possible, for example, for a state to justify favouring a specific religion in order to strengthen its authority, as enhanced authority is a neutral aim (Patten, 2014, p.129). He argues that a more defensible standard instead is 'neutrality of treatment', which concerns, 'the direct effect that a policy has on making a conception of the good more or less realizable' (Patten, 2014, p.132). Unlike neutrality of justification, this would rule out the state providing a direct advantage or disadvantage to any specific conception of the good, compared to a relevant baseline of 'fair opportunity for self-determination' in which each person possesses the appropriately equal liberties, opportunities and resources to pursue their own conception.

However, neutrality of treatment still differs from neutrality of effects, in not encompassing the final impact of state policy on the relative popularity of different conceptions of the good. Those overall effects depend on how people respond to the resulting altered balance of advantages and disadvantages, which depends on their preferences, and so is not the state's concern. The distinction between neutrality of treatment and neutrality of effects is rather subtle, and best illustrated by example. A clear example provided by Patten concerns the provision of playing fields for sports matches (Patten, 2014, p.133). In so far as such fields could be used to play either cricket or softball, it does not alter the relative advantages of playing either and, as such, maintains neutrality of treatment between them.

This is so even if many more people want to play softball and the overall effect is to promote the playing of softball much more.

Might neutrality of treatment provide a standard by which liberal theorists could maintain legislating for worker-management of firms illegitimately favours some conceptions of the good above others, even where a neutral justification is available for it? And can this be said to be true of mandating worker-management but not of state regulation to ensure fair equality of opportunity, or to redistribute income and wealth, or to provide protection from the abuse of managerial power? Possibly it might be claimed that the latter forms of regulation are necessary to equalise the capabilities of citizens to pursue their own conceptions of the good, whatever those might be. State activism in the arena of redistribution and equal opportunities varies the resources available to individuals to pursue their own conception of the good, but in principle can do so on criteria that are not themselves partial towards any such conception. Even non-domination might be regarded as type of primary good that is necessary for citizens to make their own choices about how to live without the possibility of interference from others with their vital interests. Simply not being subordinated to authority at work, in contrast, is not a primary good that is valuable for realising just *any* conception of the good, but only ones which place a high value on substantive autonomy or democratic participation. Mandating it therefore might be regarded as unduly restricting the conceptions of the good that are available to citizens to pursue. While worker-management of firms might be required as part of a particular conception of justice, such a conception is, so the argument would go, not one that a liberal state could adopt.

I accept it is the case that an effect of democratic worker-management of firms is to facilitate the pursuit of conceptions of the good that value such things as autonomy and involvement in decision-making. However, it does not follow that it would significantly frustrate individuals with differing preferences from pursuing other purposes. As outlined in section 4.1, democratic management of firms is sometimes seen as conflicting with preferences for financial reward, leisure time or distaste for involvement in decision-making processes. Yet it is far from clear that these are actually relevant trade-offs in practice.

While some workers might prioritise financial remuneration over democracy at work, the existence of a conflict between them has not been demonstrated. For systematic empirical

reviews have found productivity growth, and hence potential earnings, in co-operative enterprises to be at least as high as in conventional hierarchically organised capitalist firms, as I discuss in chapter 5. It would appear, then, that any additional costs involved in operating democratic procedures at least pay for themselves, perhaps due to their motivational or epistemic benefits. And as workers will have control over the allocation of surplus revenue in democratic firms, we ought to expect the total income accruing to labour as a factor of production to be higher.

As productivity is defined as the amount of output produced in a given unit of time, the scope for limiting working hours would also appear to be similar between democratic and conventional firms. The salient difference between conventional firms and worker-managed ones in respect of potential work hours is that any decisions on trade-offs between hours worked and firm revenue would be made collectively by the workforce, rather than reflecting the preferences of managers focused on maximising revenue for shareholders. This would surely mean that individual worker preferences are more likely to be reflected in such decisions. To be sure, individual worker preferences over work hours may well differ significantly but we can expect that this would be reflected in variations between worker-managed firms and that this would influence the decisions of individuals about which firm to join.

What about the concern about the impact of democracy in firms not on total working hours, but on how time at work is spent? The fear here seems to be that of workers having the joy and meaning of their time at work sucked out by being forced to attend lots of tedious meetings of little relevance to what they find of interest in their occupation.<sup>59</sup> Anecdotally, this seems to describe well the attitude of many academic staff, whose work is highly intrinsically motivated and individualised, towards administrative meetings. As regards most workers, I suspect this fear is probably overstated since they do not find their day to day work especially interesting and their individual contribution is so tightly integrated into the wider work organisation that the idea of a separation between their own work and the organisation's makes much less sense. Yet, regardless of whatever preferences individuals have on this, there need be no compulsion on them to spend lots of time participating in

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<sup>59</sup> As such it is reminiscent of the saying attributed by Michael Walzer to Oscar Wilde that 'socialism would take too many evenings' (Walzer, 1968).

democratic structures at work. Recall that my relational egalitarian case for democracy at work does not rely on any positive valuation of democratic participation and only requires that individuals possess the opportunity, or right, to exercise an equal influence on decision-making. In firms of any substantial size, workers might choose only to participate by voting for representatives, or not even exercising their right to do that.<sup>60</sup>

There are, though, some other conceptions of the good that democratic management of firms probably will tend to frustrate. One relates to the fact that worker-managed firms tend to have a more compressed pay structure than hierarchical ones, probably in part because of a flatter management structure, and also due to the more egalitarian sentiments that emerge from deliberation among the workforce as a whole about questions of pay. Individuals who desire to earn very high incomes in comparison with others might find that with mandatory democracy at work, no firm is willing to offer them such large pay differentials. But such reductions in inequality, especially if they can be achieved without cost to productivity, surely makes society more just by liberal egalitarian lights and so such preferences can legitimately be discounted.

Similarly, if your conception of the good involves being in a position of unaccountable superior authority over others, or being in a position to exercise dominance, then democracy in firms will also tend to thwart this, and rightly so, as it threatens the equal opportunity of others to pursue their own good.

### **4.3 Democracy at work and basic liberties**

#### *4.3.1. Freedom of association and liberty of conscience and expression*

Some liberals might have a concern about mandating particular forms of governance within firms as part of a broader reservation about state interference with freedom of decision-making in any form of non-state association, except where this is necessary to secure the basic liberties of others. For such interference, it may be argued, denies individuals the freedom to choose for themselves whether or not to be members of associations that make certain decisions, or have particular decision-making processes. Rawls considers 'freedom of

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<sup>60</sup> Intuitively, I do think there may be at least a weak and defeasible universal normative duty for minimal participation in democratic institutions at work. However, I see no case for why this need be more than very minimal in typical circumstances (e.g. voting in an annual ballot), or that it could serve to justify compelling individuals to discharge it.

association' to be so important as to be one of the basic liberties that ought to be constitutionally protected, in the sense of it being impermissible for it to be overridden by the majority in a legislative assembly. The realisation of such basic liberties is also to take priority over the fulfilment of comprehensive principles of justice such as fair equality of opportunity and the 'difference principle' that limits socio-economic inequalities (Rawls, 1993, pp.227-30).

However, it is implausible to think this means that Rawls, or other mainstream liberal philosophers, are committed to something close to an absolute protection of freedom of association, which could only be abridged when in conflict with other basic liberties. Such a position is one that might conceivably be defended by right-libertarian philosophers, who reject all state intervention in the economic sphere, in the form of redistributive taxation or regulation of the freedom of business owners to run their businesses as they please, as a violation of individual private property rights. When it comes to the regulation of business enterprise, conventional liberal theory and political practice does not simply equate the legitimate claims of freedom of association with a laissez-faire definition of 'freedom of contract'. It is widely accepted that legitimate regulation of business is not restricted merely to the avoidance of harms to non-consenting parties (e.g. environmental externalities)<sup>61</sup>, but affects also the 'internal' rules of business enterprise. For example, at a minimum, considerations of equality of opportunity are held to legitimately take precedence over the freedom of businesses to set their own rules on hiring, firing and promotion (Rawls, 1971, pp.73-8).

In practice regulation of the contractual relationship between employer and employee often goes far beyond this. In actually existing European liberal democracies state regulation of wages, working conditions, working time and the provision of minimum non-pecuniary benefits such as pensions is a reasonably uncontroversial practice. As liberal-republicans have argued (Hsieh, 2005; Dagger, 2006; Anderson 2015) it is legitimate for a liberal-republican state to place limits on the use of managerial authority, that go beyond standard criminal offences, to avoid employers from exercising dominating power over their employees. This would include, for example, regulations to prevent employees being fired

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<sup>61</sup> Even nineteenth century liberals such as J.S. Mill recognised that to the extent that 'trade is a social act' it is within the legitimate scope of societal regulation (Mill, 1859, p.227).

for their political opinions, or for requesting toilet breaks. It is also legitimate, in the view of these theorists, for the state to regulate the constitutional rules of firm governance that allocate power and authority to different parties in the enterprise, for example to require consultation of worker representatives about certain decisions.

Indeed, as with questions around the distribution of income, wealth, and opportunity, issues of power and authority in major social institutions are surely legitimate matters for legislation, which cannot be constitutionally prohibited without highly curtailing the scope of decisions citizens can make about the overall structure of their own society. Any constitutional restriction that precluded citizens from deliberating over relevant alternative conceptions of justice regarding these issues would substantially reduce the value of political democracy itself. Since the basic constitutional arrangements of society ought to be capable of being endorsed by citizens with differing conceptions of justice, they exclude considerations of principles of social and economic equality, and it is surely for these reasons that Rawls suggested that questions to do with the ownership and control of the means of production are matters of collective democratic social choice (Rawls 1971, pp.234-242).<sup>62</sup>

What, then, is the place of freedom of association in a plausible liberal-democratic theory of society? One way of reconciling a commitment to freedom of association with support for some forms of business regulation might be to suggest there is something distinctive about being an employee of an organisation, perhaps because it can be considered less voluntary than participation in other forms of association. However, it is not only associations that employ people which are subject to regulation in liberal democracies. In the UK, for example, any non-religious association of 25 or more people, which make decisions about selecting members, is subject to many of the same requirements of anti-discrimination

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<sup>62</sup> It would seem peculiarly inconsistent if Rawlsian liberals were to agree that whether productive activity ought to take place in the public or private sector is a matter of social choice, but to take a strong position against the regulation or control of private commercial associations. For if the ultimate method of state control – nationalisation – is not ruled out a priori then why should lesser measures, such as mandating democratic decision procedures within firms? It would also seem odd to think that the state could gain the right to democratise the governance of a firm through taking it into public ownership, but not otherwise.

legislation that employers are. This includes private membership clubs, and charitable organisations such as the Scouts and the Guides.<sup>63</sup>

The 1984 judgement of the US Supreme Court in *Roberts vs United States Jaycees* has been a source of much reflection by legal and political theorists on the extent to which different types of association should be subject to regulation on grounds such as the promotion of equality of opportunity (Gutmann, 1998, pp.8-18). This case concerned the membership rules of the US Junior Chambers of Commerce, or Jaycees, a not-for-profit organisation with a mass membership, widely regarded as advantaging the career opportunities of young businesspeople. Some state branches of the Jaycees had attempted to admit women as full members in violation of the rules and had found themselves facing threat of closure by the national organisation, which they had responded to by claiming the organisation's rules constituted illegal sex discrimination. This discrimination claim was upheld unanimously by the Supreme Court justices.

The reasoning in this case, outlined by Justice Brennan, suggest that the decisions of associations warrant protection from state interference only when two conditions are satisfied. The first is when such interference would compromise the exercise of a person's freedom to form intimate personal relations with others. It was suggested this was relevant only to relatively informal associations comprised of a few people who all know each other face to face, the family being the most obvious example. The second is when it affected a person's capacity to exercise other fundamental freedoms, principally freedom of expression. When these conditions were not met, then the fulfilment of an important public policy objective, such as equality of opportunity, could be grounds for legitimate regulation.

The court's judgement has been criticised for suggesting that it is only the freedom to form *intimate* personal relations with others that is of value (Kateb, 1998, pp.45-50). For surely, participating in a sports league, engaging in neighbourhood clean-up activities, or joining a debating society might all be forms of social relations with others that a person might value as constitutive of their personal well-being, even if they do not know all of the other

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<sup>63</sup> The Government Equalities Office provide an explanation of how associations are regulated by the 2010 Equality Act here: <https://www.gov.uk/government/publications/private-clubs-and-associations-quick-start-guide>

participants well. This is, I think, persuasive, although it should only lead us to modify the court's view. In respect of non-discrimination, for example, it would need to be demonstrated that the exclusion of certain categories of people from membership was essential to the forms of social relations which people value in these associations. There would be reasoned grounds, for example, for a youth sports club to exclude members based on age, but not for a debating society to exclude people of colour. The UK Equality Act attempts to draw such distinctions – controversially in some cases – by granting to non-commercial private associations exemptions to base membership on certain shared characteristics such as gender and age.

If liberal theory and practice are consistent with regulating both employers and other types of association, except perhaps the most informal and intimate, then how can Rawls and other liberal philosophers maintain that freedom of association is a constitutionally protected right when, at least in the Rawlsian schema set out in *Political Liberalism*, equality of opportunity is not? We should recall that, for Rawls, the role of basic liberties in a politically liberal constitution is to underpin the functioning of a democratic state. In justifying freedom of association, Rawls therefore emphasises its role as a natural extension of the right to freedom of expression and belief,

“freedom of association is required to give effect to liberty of conscience; for unless we are at liberty to associate with other like-minded citizens, the exercise of liberty of conscience is denied.” (Rawls, 1993, p.313).

It would appear, then, that he is thinking primarily of the political, and possibly religious or philosophical purposes of associations, and it is these purposes that warrant constitutional protection. This is also convergent with the judgement in the *Jaycees* case that part of the value of freedom of association is to protect the exercise of other fundamental freedoms. One approach here might be to sharply distinguish between the justification for regulating different categories of association, according to their purposes. Indeed, one justice in the *Jaycees* case, O'Connor, outlined an alternative rationale for the court's decision on these grounds. She argued that a distinction ought to be drawn between associations, such as the *Jaycees*, which people join to secure instrumental benefits, and those associations that are formed to express a conscientious viewpoint. State interference would be permissible in the decisions of the former, but not of the latter, since it would violate liberty of conscience.



Similarly, the political theorist Stuart White has suggested that philosophical accounts of freedom of association have tended to focus on religion as the paradigmatic case which may not be relevant to associations formed for instrumental purposes, such as trade unions, whose internal constitutional arrangements are regulated by law in the UK in respect of requirements for the election of leadership positions and holding ballots for strike action and political donations (White, 1998).

However, it is doubtful that it is possible to draw such clear and sharp distinctions. For associations we might think of as instrumental, such as businesses, trade unions, and private members clubs, may also engage in political lobbying that can be seen to have an expressive component. And associations typically thought of as expressive, such as political parties and religious institutions, are often engaged in some of the same activities as businesses that are subject to regulation, such as the employment of staff and the provision of services. It can nevertheless be argued that we can draw a distinction as to whether the purpose of an association is primarily expressive or instrumental (White, 1998, pp.334-6) and between an association's core and marginal activities (Greenawalt, 1998, pp. 115-120). It would also, as suggested above in the discussion of Kateb, be possible to add a third category of associations formed for intrinsic purposes of sociability, whether intimate or not, which it might be permissible to regulate in so far as it did not interfere with people's freedom to form voluntary social relations with others.

Distinguishing between primarily expressive, instrumental, social and intimate associations can serve as a useful general guide in this area. However, as de Marneffe (1998) has argued, surely what ultimately matters in judging the permissibility of state regulation is not the supposed category of association, but rather the significance of the purposes that are frustrated by it in comparison to the importance of the public purpose of the legislation. While it might generally be permissible to restrict the instrumental benefits of members of commercial associations order to achieve some public purpose such as equality, this need not always be the case e.g. where the improvement in equality is marginal and the loss of instrumental benefits very large. Conversely, there do appear to be cases where it plausible to suppose it is legitimate for the state to regulate the decision-making even of primarily expressive associations. For example, de Marneffe suggests it would seem to be legitimate for the state to prohibit private non-profit educational institutions run by religious

associations from engaging in racial discrimination. A similar case might be the fact that political parties in the UK are subject to anti-discrimination legislation with respect to the selection of their own members. What appears to define these cases is that the regulated activity is not vital to the association's freedom of expression and directly affects the interests of the wider citizenry.

Nevertheless, it does seem reasonable to maintain that state interference with decision-making in primarily instrumental associations, such as firms, will in general be less objectionable than interference with other forms of association as it is less likely to risk impinging on liberty of conscience, or on the freedom to form voluntary personal relationships. While regulating firms might have the effect of reducing the sum total of instrumental benefits they generate by increasing operating costs, then this would be reasonably outweighed by considerations of egalitarian justice, for example reducing discrimination or domination.<sup>64</sup> Such considerations can serve to justify the wide-ranging regulations of the employer-employee relationship that many liberals tend to support.

However, on the same basis it would also seem legitimate for the state to legislate for firms to adopt democratic decision-making procedures, if that was what egalitarian justice or non-domination required. A claim to the contrary would seem to require us to suppose that the existing decision-making structure of firms in some sense expresses the normative convictions of those who participate in them about how enterprises should be organised, in a way that other aspects of firm activity that are commonly the subject of state regulation do not. Yet, as Cordelli (2016, 2017) has argued, there is no reason to presume that all, or even most, members of an association endorse its decision-making structure, even in the case of primarily expressive associations, such as political and religious associations. It is in fact often the case that in these associations there is some disagreement among members about both fundamental beliefs and the specific decisions connected with them. These differences might encompass disagreements about decision-making procedures that are

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<sup>64</sup> In an imperfect market it is not necessarily even true that regulations do increase production costs, as they may stimulate a more efficient organisation of production in response. And even if labour regulations do reduce total instrumental benefits from firm activity, this may be outweighed for most participants in the enterprise by the effects such regulations have in re-distributing benefits in their favour.

connected with, but not necessarily reducible to, a desire to see a particular set of substantive beliefs prevail within the association. Thus she suggests that,

“The mere fact that members, at some point in their life, voluntarily joined an association (implicitly consenting to a vague set of ends) is not enough to show that the ends of an association are shared by its members in a genuine sense’ (Cordelli 2016, p.933).

Cordelli argues that state intervention to secure internally democratic associational procedures can be warranted on two grounds. The first is that membership of some non-state associations is effectively non-voluntary, as they control access to the primary goods that are necessary for survival and self-respect. Strikingly, she claim that participation in religious orders by people whose conception of the good, social connections and marketable skills are bound up with such participation, cannot be regarded as non-voluntary. Secondly, it will often be the case that just demands for democratic decision-making procedures can be accommodated without frustrating the essential shared purposes of an association. While the doctrines and purposes of some associations might rule out democratic modes of decision-making, this does not always hold true, even for primarily expressive associations.

I would suggest that where both of these conditions are met then state intervention can be justified, but that the non-voluntary condition is of critical importance. For I do think it is still plausible to maintain that as long as membership is voluntary, what can be said of all members is that they are at least willing to tolerate the decision-making procedure of their association for some weightier purpose of their own. Therefore, for the state to become involved in actively supporting the views of one set of members over another about decision-making procedures in associations that are both voluntary and primarily expressive would raise legitimate concerns about interference with liberty of conscience. Even where the doctrines of a political or religious association seem currently to be in harmony with potential regulation or silent upon it, it would be presumptuous for the state to interpret these doctrines on its behalf, and liberty of conscience would still be affected if regulation prohibited any future revision of an association’s doctrine.

However, with regard to firms, I think we have a clear case where both of Cordelli’s conditions are met. Firstly, being a paid employee or an owner of a business is quite unlike

unpaid participation in political, religious or social associations, in that it is motivated primarily by securing instrumental benefits and rarely for expressive or intrinsic purposes. That is not to deny that such employment may quite often also involve elements of expressive reward (e.g. relating to role identification) and intrinsic reward (e.g. the satisfactions of social connection). Nevertheless, we can distinguish between the question of why people work in the first place from the attitudes and viewpoints embedded in their job roles. In carrying out their work, most people are not going to be able to completely alienate themselves from any sense of normative values. As Isabelle Ferreras emphasises, there is considerable evidence that attitudes towards work are not purely instrumental and are indeed a continual source of tension between workers and their superiors (Ferreras 2017, pp.81-5). However, it is surely only a very small minority who would be prepared to labour for the same number of hours under the same conditions if they were not paid for doing so. People can have multiple purposes in working for organisations, but that is not to say they are all decisive or determining factors. Hence, it does not seem overly reductive to state that people are motivated to work in businesses, or to run businesses, primarily to secure the 'external' goods of money, status and power.

While it cannot be ruled out that some forms of state regulation of commercial activity might contingently conflict with liberty of conscience – for example requiring a business with a shared pacifist ethos to convert to war production – it is implausible to suppose that firm decision-making structures generally express shared normative convictions. Given the unequal ownership of capital, for most households who sell their labour to a firm, doing so is not a meaningful choice, but a requirement for a socially acceptable standard of living and a base level of social respect and self-respect. While this point is conceded by liberal-republicans such as Anderson (2017), they do not explicitly recognise that the non-voluntary nature of employment has profound implications for whose preferences are reflected in firm governance structures. Given that the owners and/or senior management of firms will generally have very strong incentives to retain control of key decisions, they are likely to be averse to democratic firm governance even if this might give their firms a competitive advantage in hiring workers. That is to say, the decision-making structures of capitalist firms reflects the preferences of those with power in the system (owners and senior management) and would continue to do so even if workers preferred other alternatives to

them. Any coincidence between the preferences of workers and employers therefore seems, at best, a contingent one. It is far from universally true that workers in non-democratic firms do endorse their decision-making structures, as the history of support for workers control within organised labour movements makes clear (Coates and Topham, 1974). Even where this is not the majority view within a firm, the fact that any workers are subjected to authority which they do not endorse is arguably problematic.

One response by liberal philosophers opposed to legislating to provide a right to democracy in firms has been to frame the issue in terms of structural features of capitalist economies that limit the possibilities for individuals who value democracy at work to find employment opportunities that reflect these preferences. David Miller (Miller, 1989) and Tom Malleon (Malleon, 2013), for example, propose a legitimate, but fairly limited, state role in facilitating the voluntary establishment and success of worker-managed firms, through a favourable regulatory and taxation regime. Such a promotive stance has indeed been adopted to some extent by social democratic governments in a range of countries, including in the UK by the 1974-9 Labour government whose Industrial Common Ownership Act and Co-operative Development Act provided channels of seed funding and start-up loans for worker-owned firms.<sup>65</sup> Empirically, while such policies have fostered the growth of the co-operative sector, they have not resulted in a transformation of the dominant modes of ownership and control in the economy. Whether this represents the limits of worker preferences for participation in management, or instead indicates that more far reaching policies are required to overcome the structural barriers to the establishment of worker-managed firms raises complex empirical questions that I examine in later chapters when I discuss appropriate state strategies for promoting worker-management.

However, by posing the question in terms of worker preferences, there is a risk of conflating fundamental normative convictions about how businesses should be run with personal taste. To the extent that relational egalitarian justice does require democratic firms, then it would be legitimate even for a liberal state to require this, even where it might conflict with the tastes of some individuals. Furthermore, to the extent that workers do normatively

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<sup>65</sup> As outlined by the UK Labour Party in its 2017 report on 'Alternative Models of Ownership', pp.11-18, available here: <https://labour.org.uk/wp-content/uploads/2017/10/Alternative-Models-of-Ownership.pdf>

endorse non-democratic decision-making structures within firms these can plausibly be regarded as adaptive preferences that reflect the lack of choice they have about accepting these arrangements. Michael Cholbi (2018) proposes a useful set of tests by which we might evaluate whether preferences are the result of unjust structural conditions, without simply making unfalsifiable claims of 'false consciousness'. Demonstrating that structural conditions present people with limited alternatives is of course a necessary but not a sufficient test. Others comprise people dismissing any alternatives as being 'unthinkable' rather than because they possess clear reasons to believe it to be undesirable, and the demonstration of strong dissatisfaction with the concrete aspects of a state of affairs while still holding it to be desirable in the abstract. All of these conditions would appear to be present in the case of being subject to non-democratic authority at work, which people often seem to resent much of the actual experience of, while being resigned to its inevitability and disinclined to envisage any alternative.

Whatever credible reasons we have for suspecting the current normative ideas of many citizens represent adaptive preferences, to state this will always raise the spectre of an elitist state imposing changes on people that they do not want based on their supposed 'real' preferences as identified by third parties. However, the ultimate safeguard here is that, in a democratic state, any substantial moves in the direction of greater democracy at work would require the consent of much of the citizenry. Moreover, in a capitalist state, it is also likely to face enormous resistance from the investor class and to only be practically implementable with the active support of many workers themselves. It is therefore wrong to envisage the case for state intervention in this area as involving the state simply legislating to override the preferences that people now have. Such legislation only becomes possible when at least a substantial proportion of working people have already become willing to entertain alternatives to current arrangements.

#### *4.3.2. Freedom of occupation*

Thomas (2017, pp. 217-246) argues that if all firms were mandated by the state to be worker-managed, this would undermine the basic liberty of free association in a different way, by undermining freedom of choice of occupation. The claim is that mandatory collective self-management of firms would make it more costly for individual workers to exit a particular firm. This is partly because there would be fewer immediately available outside

employment opportunities due to worker-controlled firms being more reluctant to hire new workers than those controlled by external investors. If workers were required to give up an equity stake when leaving their existing firm, then this might also complicate the process of moving between firms. Finally, worker incomes in worker-controlled firms would be more sensitive to variations in firm performance than in firms where workers do not control the distribution of the economic surplus, which could also inhibit mobility between firms. A concern that Thomas has is that worker-managed firms may as a result be able to 'exploit' more productive workers by narrowing intra-firm pay differentials beyond what would be possible if such workers had greater outside work opportunities.

I would not seek to deny that mobility between worker-controlled firms would be somewhat less straightforward than between capitalist firms, and the greater voice that workers have within such firms may mean they may be less inclined to move. However, I fail to see that this implies that workers lack the freedom to move, rather it simply alters the cost/benefit ratio of making such a decision. Freedom of occupation surely cannot mean that all workers have the right to move to another job elsewhere at will, otherwise it is never actually present in any economic system. For in existing capitalist economies, or even an idealised property-owning democracy, leaving a job is often likely to mean tolerating a waiting period before a new one is found. Rather freedom of occupation seems better defined as not being directed to take a specific type of job, or training for a particular job, by the state, and this liberty would not be affected in an economy with worker-managed firms.

Furthermore, the concern about limited mobility might be alleviated if legislation providing for worker-control of firms fell short of universal mandating. For in an economy, say, that retained publicly funded services, independent not-for-profit institutions, and possibly small-scale owner-managed commercial enterprises, there would be opportunities for paid work outside of wholly worker-controlled businesses. There are also other mechanisms that could be employed to enhance mobility in an economy dominated by worker-managed firms. Steeply progressive taxation of firm profits, by narrowing arbitrary income differentials between firms, would also serve to make mobility between them easier. The costs of exiting a particular firm might also be reduced by state provision of some form of unconditional basic income if thought desirable.

The concern about mandatory worker-management facilitating a narrowing of intra-firm income differentials surely begs the normative question of whether the wider differentials arising from a more dynamic market would actually be more just, which seems to run counter to radically egalitarian distributive principles. There might be a reasonable worry that individual employees who find it difficult to obtain employment elsewhere might be at greater risk of victimisation at work. However, there are in turn likely to be ways in which this could be mitigated, for example by requiring firm constitutions to provide strong protection for individual rights.

#### **4.4 The scope of liberal justice**

Some liberals might still be uneasy with the account I have given so far on the grounds that not all deontological theories of justice can plausibly be regarded as liberal theories of justice. For if liberalism possesses any meaning at all then it must be concerned with preserving a relatively expansive area of individual freedom of action from state interference. Certain ethical conceptions of equality and fair reciprocity might be legitimate for citizens to uphold in their private life and to further through non-coercive action, but these do not generate duties of justice that ought to be enforced by the state. It might be reasonable to believe, for example, that women in heterosexual partnerships shoulder an unfair share of housework, while still maintaining that direct state regulation of the decisions couples make about this infringes upon an important element of personal autonomy.<sup>66</sup> That is to say not all ethical questions of ‘fair’ interpersonal behaviour might be deemed relevant to a theory of *social* justice. A distinction between a public and a private sphere of action has indeed often been seen by supporters and critics as a hallmark of liberalism.

Many liberal theorists follow Rawls’ use of the terminology of a ‘basic structure’ to delineate those features of social institutions that determine the justice of a society. This often seems to be interpreted as creating a boundary between those institutions deemed public that form the basic structure and are the subject of justice, and all other associations outside of

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<sup>66</sup> While I believe liberal theories of justice do aim to balance considerations of equality with liberty and other values such as utility, their formulation often obscures that they are doing this. As Jerry Cohen suggests (Cohen, 2009, pp.302-6), in equating ‘justice’ simply with our all-things-considered judgement of duties to be enforced by the state, they tend to make it difficult to articulate any residual egalitarian regret we might have about such judgements, and to understand the motivation for making non-coercive efforts at redress.



it. As critics have suggested, there is some lack of clarity in Rawls' writings about what the basic structure consists in (Cohen, 2009, pp.132-8 Singer, 2015, pp.75-82). He does sometimes say that it encompasses the practices of all social institutions that are important in structuring people's life chances (Rawls, 1971, p.6). However, there is a possible interpretation in which the principles of justice are only relevant to patterns of coercively enforced burdens and benefits. As in any well-ordered society coercion would be a monopoly of the state, then the focus of justice would be on how state institutions themselves affected people's life chances, primarily through legislation. In this view, the non-coercive practices of such institutions as business corporations or families are outside of the public sphere and do not form part of the basic structure. In support of this 'coercion' interpretation, it can be argued that Rawls is explicit that the state should not regulate (non-coercive) decision-making within family units (Singer 2015, p.76) and that he does not explicitly advocate that the state should determine the governance arrangements of business enterprises.<sup>67</sup>

A difficulty with the coercion view of the basic structure is avoiding the charge of arbitrariness. For if institutional practices – or even, as Cohen argues, cultural mores – that do not have the force of legal coercion nevertheless have an important impact on people's life chances, why ought these to be excluded from a theory of social justice? Possibly the thought might be that a state that interfered in the uncoerced decision-making of its citizens would be failing to appropriately respect their liberty. Yet this appears to be not a Rawlsian, but a right-libertarian view, as it would rule out, say, minimum wage legislation or prohibiting discrimination by businesses based on racial or gender prejudice. Perhaps it might be said that such business regulation may be justified on the grounds those businesses that choose to take advantage of the privileges provided by adopting the legal status of a corporation, such as limited liability, also thereby accept accompanying regulation by the state. However, this does not seem a very plausible way of drawing the acceptable boundary of state regulation. It would imply that many small to medium sized enterprises that do not adopt the corporate form could not be so regulated, nor could the highly capitalised 'private equity' firms that are of increasing importance in contemporary liberal market economies such as the US and UK. As Ferreras' work suggests, there is

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<sup>67</sup> Though he seems to regard the latter as an open question (Rawls, pp.234-242).

something bizarre about the idea that businesses should be considered part of the public sphere because of their legal form, rather than the real nature of their activities (Ferrerias, pp. 78-111). It is surely a reversal of the appropriate order of normative reasoning, which would set out to define the legal rights and responsibilities of corporations on the basis of their social, economic and political character.

Alternatively, a defence of the 'coercion' view of the basic structure might suggest that the state may legitimately regulate businesses because their market power, in particular their collective control of access to the means of making a living, mean that labour contracts (and possibly some consumer contracts) cannot be regarded as voluntary. However, this would by itself represent a major departure from the emphasis on legal coercion as part of the basic structure and, depending on how voluntary action was to be defined, could bring it much closer to the more expansive interpretation of the basic structure.

The 'legal coercion' view of the basic structure does not seem a very plausible reading of much of Rawls' writings on the subject in any case. For he is fairly clear that the test for an institution's inclusion in the basic structure is whether it has a profound impact on the liberties, opportunities, and resources available to the individuals within it. It therefore explicitly encompasses such things as the family, property rights and the wider economic system. The source of the confusion as to whether the principles of justice apply to 'less comprehensive' institutions such as businesses and the family rather seems to be that Rawls is interested in justice as a macro level property of the overall social system, rather than a standard against which to directly evaluate the operation of meso-level institutions or interpersonal interactions within that system.<sup>68</sup> Thus, it is legitimate to regulate business corporations but only to achieve macro-level social outcomes such as a fair distribution of opportunity and economic welfare. Anti-discrimination legislation can be justified to ensure equality of opportunity for all groups within society, for example, but only as a means to this end. Whether the internal decision-making of non-comprehensive associations in general

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<sup>68</sup> However, this does not directly address Cohen's question of whether individual, as well as institutional, choices should be treated as a matter of social justice in cases where they contribute to a macro level impact.

conforms to egalitarian (or other) ethical precepts is not held to be of intrinsic concern to a liberal egalitarian theory of social justice (Singer, 2015, pp.75-82).<sup>69</sup>

The merits of the Rawlsian emphasis on evaluating the justice of societies in a holistic fashion can be appreciated in respect of cases where it might be thought reasonable for a person to accept treatment that might seem to involve a pro tanto injustice if this was 'offset' by corresponding benefits elsewhere. For example, it might be prima facie 'unfair' for everyone to pay a flat rate tax on consumer purchases regardless of their income, but in a context of an overall set of state policies that ensure the incomes of the least well off are as high as possible, there might be no valid complaint against it. However, there is no general reason to presuppose that injustices in one sphere of a person's life can or will be redressed by benefits elsewhere. Indeed liberals, and certainly those who also consider themselves egalitarians or republicans, would surely accept that if people are dominated, or discriminated against, in only one important sphere of their lives that would still be relevant to evaluating the overall justice of a society. The real question is not therefore whether we should evaluate the justice of societies in a holistic fashion, but what features of society are relevant to making such a holistic assessment. It would appear arbitrary to exclude 'the governance rules of major social institutions' from such an assessment, given how they affect relations of power, authority and status between people. Surely, to adopt a Rawlsian framing, these are matters that would be relevant to hypothetical deliberation about the constitution of society by individuals in the original position and influence the choice of principles of justice?

## **Conclusion**

In this chapter, I have examined what are seemingly plausible liberal objections to the state legislating to provide workers with a right to democratically manage their firm. As there is relatively little philosophical literature by proponents of the conventional view critiquing democracy in firms, I have sought to develop these liberal objections as clearly as I can, but I

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<sup>69</sup> However, it is not entirely clear in what sense they are not matter of concern to liberal egalitarians. Surely not that such matters raise no ethical questions of fairness at all for the individuals participating in non-comprehensive associations. Yet if they do raise such questions, reforming these associations might at least be a legitimate objective of egalitarian social movements aiming to use non-coercive means, such as public campaigning and persuasion. It is not then obvious why the ethics of such collective public action should fall outside of a theory of social justice, unless we stipulate that the latter only concerns duties enforced by the state. But why should we stipulate this?

do not ultimately think that they appear to be very persuasive. Regardless of whether that is true, the discussion hopefully clarifies differing possible lines of argument which perhaps otherwise might be conflated. In particular, I think it is incumbent on critics of state action in this sphere to be explicit about which concept of liberal neutrality they are relying on and about whether they reject legislating for democracy at work because it constitutes an unacceptable interference with liberty, or because it represents the wrong conception of what justice as fairness requires.

While I have been critical of many freedom-related objections to state action in this area, I nevertheless do not think that my arguments suggest that a liberal state can legitimately mandate democratic decision-procedures universally across all work organisations. In general, firms are driven by instrumental goals and hence requiring them to adopt democratic decision procedures does not undermine the purposes and value of their association, providing, as seems to be the case, that it allows them to remain viable and productive business enterprises. However, there a minority of private enterprises which do have primarily mission-oriented, expressive aims, for example not-for-profit institutions that employ ancillary staff. Such organisations might have legitimate reasons to worry that internal democracy could undermine their core purposes. The small family business might also have a legitimate claim against state regulation of internal decision-making on the grounds it undermines certain kinds of intimate personal relationship. The purposes of many public sector bodies in serving society as a whole could also be undermined by delegating complete responsibility for management to the workforce.

Yet the choice that tends to be posed in the literature between banning non-democratic firms entirely and highly limited state assistance to co-operatives in the form of tax breaks is surely a false dichotomy. If democratic firms tend to be those most consistent with justice, then large scale interventions to facilitate the transfer of ownership and control of most major businesses to those who work in them may well be a very reasonable approach for a liberal egalitarian state to pursue. Examples might include the establishment of worker-management within state-owned enterprises, requirements for worker-management in particular types of firm (e.g. corporations), or requiring the gradual transfer of a firm's

assets to its workforce collectively.<sup>70</sup> Such policies could provide workers with real – not just hypothetical – opportunities to work in democratic firms, without compelling them either to do so or not. However, in order to reach any definitive conclusions about this, it will be necessary to explore the complex interrelationship between structural factors and worker preferences in determining the reasons why there are currently so few worker-managed firms and the possible role that less direct state action, such as strengthening exit opportunities, might play.

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<sup>70</sup> E.g. In Germany requirements for half of company supervisory boards to be elected worker representatives only apply in firms with more than 2,000 employees (Ferreras 2017, p.150). The original version of the Meidner Plan, adopted by the Swedish Social Democrats in the 1970s, would have involved the gradual transfer of ownership of the assets of large firms to collective funds controlled by the trade unions, built up by compulsory contributions out of firm profits (Sassoon, 1997, pp.706-713)

## Chapter 5: The economics of worker-management

In this chapter, I review theoretical and empirical literature from economics on the operation of worker-managed firms. The reasons for doing this are two-fold. Firstly, from a value pluralist perspective, any conclusions about state policy towards worker-management need to consider not only whether it realises relational equality, but the wider consequences for social welfare. If it were the case, for example, that worker-managed firms were substantially less economically efficient than other types of firm then this might leave us with a dilemma. Here it is not enough to demonstrate that worker-managed firms can compete successfully in a mixed economy with other firms. We also need to look at whether the systemic properties of an economy in which worker-management was dominant, if not universal, are going to be efficient. It is, though, important not to define efficiency in narrow terms such as the total value of market output recorded by measures such as GDP. Evidence on the likely effects of worker-management on broader aspects of societal well-being, such as leisure time or environmental pollution, must also be weighed in the balance when considering the overall impact on social welfare. We must also consider what I will call the *indirect justice* effects of worker-management – not its direct effect on relational equality within the firm – but on income distribution and supporting a wider ethos of democratic deliberation and active citizenship.

Secondly, to the extent that the evidence demonstrates that worker-managed firms can be economically successful it is important to identify what structural factors serve to make them a relatively marginal presence in existing competitive market economies. Only by doing so can we hope to understand what policy reforms by governments are likely to be effective in facilitating their growth as a share of the economy.

### 5.1 Productivity

The most critical comparison between the economic performance of worker-managed firms and conventionally managed ones is their relative productivity levels over the long run. In its simplest essence we can define productivity as labour productivity - the amount of output that a worker can produce in a set amount of time. While at any given time the output available to be consumed per person might increase somewhat without improvements in labour productivity – if the proportion of the population in work, or hours spent at work,

increase – the scope for this is rather limited and the additional labour burdens involved may not always be thought worthwhile. The substantial economic growth that has occurred since the industrial revolution has been driven by improvements in labour productivity. As the 2008 winner of the Nobel Prize for Economics,<sup>71</sup> Paul Krugman, puts it,

‘Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to raise its standard of living over time depends almost entirely on its ability to raise its output per worker (Krugman, 1997, p11).’

The early stages of industrial development and associated productivity and output growth are often characterised by a process of *extensive* growth in the quantity of inputs to production: investment in capital (buildings and equipment) and growth in the amount of human labour, arising from population growth and increases in the proportion of the population in work and in working time (Richta, 1967).<sup>72</sup> However, contemporary developed economies are critically reliant on *intensive* growth in the amount of output that can be produced from given inputs of labour and capital, principally through improvement in the skills of the labour force and by innovation in technology and the organisation of production.<sup>73</sup> Economists refer to this as growth in total factor productivity (Mankiw, 2000, pp.128-9). Given the deleterious impacts on the global ecosystem of continually expanding populations, physical output and resource use, this form of growth looks set to be of even greater importance in the future if living standards are to increase at all, or even be sustained (Jackson, 2007).

#### 5.1.1 Static efficiency

However, in making productivity comparisons between conventional and worker-managed firms, it is important to clarify the distinction between static and dynamic efficiency (Olin Wright, 2010, pp.36-7). The former concerns how efficiently different firms make use of the existing level of technology and resources and are reflected in comparative productivity

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<sup>71</sup> [All Prizes in Economic Sciences \(nobelprize.org\)](https://www.nobelprize.org/)

<sup>72</sup> Land (referring to all raw materials) is classified by economists as a third factor of production but, unlike capital and labour, it is a finite resource which cannot be expanded - although the employment of labour and capital, and technological change, can affect its contribution to output (Mankiw, 2000, pp.128-9).

<sup>73</sup> The relative stagnation of the centrally-planned industrial economies of Eastern Europe in the 1970s and 80s has been attributed to their failure to follow the advanced industrial economies in making the shift away from reliance on extensive to intensive growth (van Ark, 1999).

levels at a point in time. The latter refers to relative growth in productivity levels over time, resulting principally from processes of innovation. Although the factors affecting static and dynamic efficiency are not neatly separable, much of the theoretical and empirical debate has focused on issues most relevant to static efficiency. For example, some rational choice theory economists have claimed that the structure of incentives associated with worker-managed firms could lead them to be less productive than conventional capitalist ones (Alchian and Demsetz, 1972). Elected managers might find it more difficult to impose strong discipline on the workforce to whom they are accountable and have less strong material incentives to do so than owners or owner-appointed managers who have a special claim to firm profits. As a result, there may be less effective monitoring of work tasks and greater 'shirking' by workers in worker-managed firms.

There are other possible ways in which worker-management could be thought to harm firm productivity. There might be thought to be additional administrative costs associated with operating democratic decision-making procedures and possibly greater delays and conflict in the decision-making process. As examined in chapter 3, it could be claimed that ordinary workers lack sufficient expertise about how to manage firms, or to recognise the capabilities for effective management in those whom they elect to do so. When competing with conventional firms, worker-managed firms might also seem to face difficulties in retaining highly skilled workers and managers owing to their tendency towards adopting more egalitarian pay structures.

However, many proponents of worker-management contend that it has contrary productivity enhancing effects. Greater control over the work environment is said to reduce alienation from management decisions and improve motivation on the job, while worker control over the surplus revenues of firms provides a much stronger alignment between the interests of workers and enterprise performance than exists in conventional firms. Levels of trust and co-operation may also be improved where workers exercise control of the firm, meaning that they are not likely to require as many monitoring processes or supervisory positions (Malleon, 2014, p.56 and 73). In addition to these motivational benefits, there are also claimed to be epistemic benefits associated with worker-management arising from utilising more effectively the knowledge of the workforce as I have discussed in chapter 3. Worker-managed firms also do not face the conflict that conventionally managed firms do



between employing production methods that enhance worker skills, participation and autonomy and retaining control and discipline over the workforce (Schweikart, 1993 pp.224-236). Finally, worker-managed firms do not need to pay out dividends to external shareholders and are not likely to agree to pay unnecessarily high managerial salaries, ensuring more funds are retained for re-investment (Wolff, 2012, p.157).<sup>74</sup>

Measuring accurately the impact on productivity levels of worker-management has its challenges. It is insufficient to measure productivity differences between firms simply in terms of output per worker, without adjusting for differences in the capital intensity of production (Dow 2003, p.180). Firms that employ a higher ratio of capital to labour will thus tend to appear to be more productive, even though such substitution of capital for labour may be relatively inefficient. It is sometimes argued worker-managed firms will have a bias towards capital investment over hiring labour since the benefits per worker of the latter will necessarily be diluted by increasing the size of the workforce (Schweikart, 1993 p.94), a point elaborated on further in the section on macro-economic efficiency below. Reliable studies will therefore focus on differences in total factor productivity between firms.

A large body of empirical studies of the comparative productivity levels of worker co-operatives in capitalist economies overwhelmingly find it to be at least as good as conventional firms and sometimes better (Schweikart, 1993, pp.98-103; Dow, 2003, pp.179-184; Malleson, 2014, pp.72-3 Perotin 2015, pp.18-19). A meta-analysis of 43 studies by Doucouliagos (1995) found worker ownership, profit sharing and worker participation in decision-making all had positive productivity effects and that these effects were strongest in firms owned and controlled by workers. It would thus appear that whatever efficiency costs worker-managed firms might have are offset by compensating efficiency advantages.

Furthermore, these results are consistent across a range of countries and industries and among co-operatives of varying structure and size. Malleson (2014, pp.72-3) reports studies

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<sup>74</sup> Evidence suggests the extraordinarily large rise in the salaries of top management compared to the rest of the workforce in countries such as the US and the UK since the 1980s has not been associated with any improvement in productivity. Nor does productivity seem to suffer in countries that pay managers smaller multiples of workers' earnings (e.g. Japan). The most reasonable explanation is that extremely high managerial salaries are a form of rent-seeking (Glyn, 2006, pp.58-9 and p.151).

on favourable productivity for co-operative businesses in the United States, France, Italy, Spain, Germany, Sweden and Denmark.

The better studies in the area will seek to compare productivity differences between firms operating in the same industry (Dow 2003, p. 183). Of particular value are comparative total factor productivity studies of co-operatives and other firms in the American plywood industry (Craig and Pencavel, 1995), and of a large sample of 7,000 French firms, including around 500 co-operatives, featuring a matched comparison between firms in the same sectors (Fakhfakh, Perotin and Garo, 2009). While the plywood cooperatives were organised by workers investing their own personal capital in exchange for tradeable shares in the business, in the French co-operatives assets are owned collectively and workers prohibited from selling on their shares for profit. Both studies identified a differing 'production function' for conventional and co-operative firms – how given inputs of labour and capital are combined into outputs – and identified statistically that conventional firms would often benefit from adopting the production methods of co-operatives (organisation or technology) while the reverse was never true.

Some nevertheless might hold that studying existing co-operative businesses tells us little about how successful worker-management might be on a larger scale, because of selection effects. Arnold (1994 pp.167-9) suggests that existing worker-managed firms might operate in an unusually beneficial external economic and social environment. However, this claim seems belied by the range of countries and industries in which co-operatives have been successful. Perotin (2019, pp.10-13) comparing studies of co-operatives in Uruguay, Spain, France and the UK finds that their presence in different sectors of the economy varies substantially by country and appears to be related to favourable conditions at the time of their establishment rather than them being inherently more suited to particular industries. The Mondragon cooperatives also demonstrate that they can be successful in capital intensive sectors, when finance is available (Malleon 2014, p. 72). A variant of the argument is that co-operative have unfairly benefitted from state aid, a claim which, overall, appears to be far from true (Malleon 2014, p. 68 and 75). Nor is it the case that co-operatives are associated only with small scale production; a review of studies from Italy, Spain, France and Uruguay indicate that worker-managed firms actually tend to employ more workers than conventional ones, because they are created larger to start with than

owner-managed firms (Perotin 2015, pp. 6-10). While it is no doubt true the external environment is important for explaining differences in the rate of co-operative formation (as discussed in section 5.4), wherever co-operatives do exist they appear to perform well.

Arnold also claims that co-operatives may attract relatively capable and committed workers, a claim that is very difficult to conclusively refute and so may serve as a convenient reason to discount the otherwise compelling empirical literature. Nevertheless, we do arguably have evidence that demonstrates beyond reasonable doubt that selection effects are not the principal driver of co-operative success overall. It has been known for over half a century that studies of the direct effects of greater worker participation in decision-making, utilising a variety of different approaches and cases, almost always find positive productivity effects (Blumberg, 1968). As Schweikart (1993, pp.100-101) reports, later meta-analyses of studies from the 1970s and 80s confirm these findings. And it does appear that workers feel they have greater opportunities to participate in worker-managed firms – a 1981 study of the Mondragon co-operatives found that 70% of workers felt they participated in running the firm compared to 20% in comparable capitalist enterprises (Malleon 2014, pp.61-2). As previously mentioned, the meta-study of Doucouliagos (1995) found positive productivity effects of participation to be greatest in worker-managed firms.<sup>75</sup>

Studies of the direct effects of workers sharing in firm profits on productivity tend to report if anything more substantial impacts, around 4-5 per cent improvements in labour productivity in the US with similar findings reported for the UK and Japan (Dow, 2003, p.181) The meta-analysis of Doucouliagos (1995) estimated the effects of profit sharing to be more strongly positive than that of participation, and again to be greatest in worker-managed firms.

As Malleon (2014 p.73) reports, there are also some studies demonstrating the positive impact of worker-management on trust and co-operation within the firm and reduced management costs. A 1992 study found worker-managed firms to have lower rates of absence and turnover, which may be taken as a proxy for levels of conflict within the firm.

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<sup>75</sup> Interestingly, the study found that German-style co-determination laws did not have a positive productivity impact, although neither was it detrimental. However, it is worth noting such legislation provides workers only with minority representation on the firm's supervisory board. Nor is it necessarily associated with greater participation at levels below that.

The study of French co-operatives by Fakhfakh, Perotin and Garo (2009) found they spend less on monitoring worker behaviour than comparable firms in the same industry.

Supporters of worker-managed firms can, then, appeal to a considerably body of evidence that both identifies and explains their favourable productivity record. David Schweikart is particularly emphatic about the implications of the empirical evidence:

‘I do not see how there can be honest doubt on the part of anyone who reviews the literature with an open mind that, all else equal, worker-manged firms are likely to be more X-efficient than their capitalist counterparts’ (Schweikart, 1993, p.103).

More reservedly, Gregory Dow concludes that:

‘Despite all the measurement, causality, and selection issues that bedevil econometric work in this area, it is fair to conclude that there is little evidence for inferior productivity in LMFs [Labour-Manged Firms], and it appears reasonable to believe that LMFs would provide modest productivity benefits in some industries (Dow, 2003, p184).’

Given the consistency of the empirical findings on worker-management and productivity, it is indeed extraordinary that political theorists still sometimes portray worker-managed firms as necessarily inefficient (Taylor, 2014; Anderson, 2015).

### *5.1.2 Investment behaviour*

Of possible relevance to dynamic as well as static efficiency, it has been argued that worker-managed firms will have lower incentives to invest in capital and technology relative to conventional firms (Miller 1989, pp.83-90). For if the firm’s assets are owned collectively and individual workers have no rights to sell shares in the firm then they will only reap the benefits of investment for as long as they continue to work there. It is therefore supposed that the investment planning of worker-managed firms will reflect how long the average firm member expects to continue working. This more bounded time horizon implies that investment projects would need to generate comparatively higher returns to be considered worthwhile. As a result of lower investment, technological change and productivity growth in worker-managed firms would tend to be relatively slow. One possible way around this is to allow workers to cash in their share of the business upon leaving the firm, but this brings

its own difficulties, not least requiring new joiners to invest their own capital in the firm to ensure its continuing viability, which may prove prohibitive for many.

Yet the argument that worker-managed firms tend to under-invest is not borne out by empirical studies. Schweikart (1993, p. 94) notes that a 1989 study of 500 French co-operatives found that the factors influencing investment decisions were the same as for conventional firms. Dow (2003, pp. 162-3) reports that a 1993 analysis of a range of studies from the UK and France found no evidence to support the under-investment hypothesis. The study by Fakhfakh, Perotin and Garo (2009) also found no difference in investment behaviour. To some extent these results may reflect the behavioural assumptions of the model being inapplicable to the context within which investment decisions are made, which are influenced much more by perceptions of available opportunities in an uncertain world than very precise long-term calculations (Schweikart, 1993, p.93). It might also be due to the nature of decision-making in the firm giving more emphasis to long-term stewardship than is assumed. Many co-operatives in Europe have constitutional rules requiring them to re-invest a substantial proportion of their income (Dow 2003, p.163).

If there was a tendency for worker-managed firms to under invest, we would also expect to see this manifested in the chances of long-term business survival, as they would lose out in competition with more conventional firms. Yet reviewing the international statistical evidence points to year-on-year survival rates for worker-managed firms being at least as good as conventional ones (Dow, 2003, pp.226-8). Ben Ner (1988) finds annual death rates for European worker-managed firms in the 1970s and early 1980s to be one-third of the level of conventional firms. Stauber (1989) also calculates much higher firm survival rates in Atlantic Canada from the 1940s through to the 1980s.

Subsequent studies corroborate these results. Perotin (2015), using French data from 1979 to 1998, finds the annual closure rate for worker-managed firms to be comparable to conventional ones. And in a comparison of all firms in Uruguay between 1996 and 2005, Burdin (2014) estimated that worker-managed firms had better survival chances even when controlling for other factors affecting survival rates. He also found that changes in worker compensation in worker-managed firms that survived was not significantly different to those that closed, countering the hypothesis that workers might unduly prolong the existence of these firms at the expense of their incomes. Nor is it the case that worker-

manged firms do not outlive their founders – there is evidence from the UK, France and Italy of such firms being in continuous existence for more than a hundred years (Perotin, 2012, p.34).

One caveat to the above is that some of these studies define firm death as including transfer of ownership, which in the case of worker-managed firms means conversion to a more conventional firm type. But it does not seem likely that this significantly affects the comparison either way (Dow, 2003, p.227). However, the comparable survival rates do indicate that the conversion of worker-owned firms into conventional ones is not very common.

### *5.1.3 Innovation and dynamic efficiency*

To the extent that most firms can achieve similar levels of static efficiency using equivalent technology at a point in time, this may represent the effects of technological diffusion that does not provide conclusive evidence of the innovative properties of specific firms. If worker-managed firms are simply adopting technologies initially developed by capitalist firms then an economy dominated by worker-managed firms could result in slower technological progress. This is a scenario outlined by G.A. Cohen – alternatives to capitalism might be just as (or more) efficient in allocating resources at a point in time, but still be substantially inferior to capitalism in raising productivity levels over time:

‘even if one allows that capitalism’s rate of development of the productive forces is only modestly higher than socialism’s, say 3 per cent *per annum* as against 2 per cent, capitalism will eventually overtake socialism...Given, moreover, the rapidity with which compound interest zooms up...capitalism will overtake socialism not merely eventually, but rather soon (Cohen, 2000, p.337).’

However, given that we have seen that competitive market pressures foster similar incentives for static efficiency in worker-managed and conventional firms, the burden of argument surely rests with those who would deny this is also true of innovation. Indeed, the closer alignment of the interests of workers with those of the firm under worker-management may be surmised to produce more of what has been labelled as ‘minor innovation’ i.e. changes that are based on localised knowledge and can be implemented without long term investment (Bonin, 1983).

As regards major innovations that rely on more extensive R&D and investment, we have already seen that the hypothesis that worker-managed firms systematically underinvest is not empirically supported. Bonin (1983, pp.328-9) suggests worker-managed firms might have a bias towards innovations that substitute capital for labour, as these lead to greater dividends for remaining workers. However, as discussed in the section on macro-economic efficiency below, worker managed firms in fact tend to prioritise maintaining employment of their members. This does not mean labour saving innovations will be avoided, as they can be used to reduce working time. If there were any bias in favour of labour-saving innovations then given that great advances in productivity rarely stem from the opposite course of replacing machines with human labour we might question how much of an economic loss this is likely to be. If we also view reducing human labour time as more normatively desirable than maximising growth in consumption then it seems less important still.

Examination of the Mondragon network of co-operatives indicates that they possess many of the properties of highly innovative firms (Schweikart, 1993, pp.133-5). The existence of a specific division of its bank devoted to promoting entrepreneurialism assists here, particularly in the formation of new enterprises by groups of workers. There would seem no insuperable obstacle as to why a public or co-operative banking system could not replicate such relationships with firms in a worker-managed economy. Schweikart also notes that small and new enterprises tend to be more innovative and that it is easier to break up large worker-managed firms into smaller units as the per capita income of owners is not affected so long as economies of scale are not sacrificed, and this is more consistent with the ethos of maximising the scope for participatory decision-making.

Ultimately, while there are too many variables to be completely certain about the comparative innovativeness of a worker-managed economy, the evidence that we do have does not point to a major, irremediable, disadvantage. And it should be recalled that it would be unlikely that an economy would be wholly reliant on these enterprises to drive innovation. As in capitalist economies, much basic research would of necessity remain a publicly funded function outside of the market and the dominance of worker-managed collective enterprises need not exclude the possibility of individual entrepreneurship alongside it.

Schweikart (1993, pp.129-131) raises an additional concern about the innovativeness of worker-management formulated by the economist James Meade, a postulated tendency of worker-owned firms to make more risk averse investments. This stems from the inability of worker-owners to spread risk by diversifying their investment portfolio, instead all of their financial (and employment) risk is concentrated in the success of their own firm. But Schweikart argues any such tendency would be a reason for a broader socialisation of capital ownership and investment risk, rather than for a rejection of worker-management.

## **5.2 Macro-economic efficiency**

To establish that worker-managed firms are (at least) as productively efficient in achieving their goals as conventional ones does not completely settle the question of how well an economy based largely around worker-management would function. For the goals of worker-managed firms are likely to differ from those of conventional firms, with consequences for their own long- term viability and the operation of an economy that consists of them. In particular, it is often suggested worker-managed firms will be less oriented towards output growth than other firms and that an economy dominated by them would suffer from structural unemployment and macroeconomic instability. The fact that the only economy in which worker-management of firms was widespread for an extended time period, Yugoslavia from the 1950s through to the 1980s, ran into a serious economic crisis characterised by endemically high unemployment and inflation might be seen as confirming this pessimistic diagnosis.

There is a largely theoretical economic literature on the objectives and assumed behaviour of worker-managed firms stimulated by seminal critiques of worker-management by the neoclassical economists Benjamin Ward (1958) and Evsey Domar (1966), and the extensive theory of 'labour-managed market economies' developed by the one of its leading advocates, Jaroslav Vanek (1970). The Ward-Domar critique of worker-managed firms is that it is reasonable to suppose they will aim not at maximising total firm profits, but at maximising average profit per worker. As a result, they will be disinclined to expand production in certain circumstances where a conventional firm would do so.

The analysis employed in this debate is highly mathematical, but the basic intuition is straightforward. Standard neoclassical economic theory suggests that, in a competitive



market, shareholder-controlled firms will increase output until no more additional units of the product or service can be profitably sold. If there is an increase (or reduction) in the price consumers are willing to pay this will lead to the firm producing more (or less) units in response. In contrast, a worker-managed firm might find that the additional profit per worker associated with producing additional units in response to a price increase is offset by the cost of sharing that profit among the greater number of workers required to produce the additional output.

Indeed, Ward's analysis suggests that perverse responses are possible. Given an increase in prices, the total revenue of a firm will rise even if fewer units of output are sold. In the case of a worker-managed firm, the associated reduction in the size of the workforce means this increased revenue is shared among a smaller group of workers, raising average profit per worker. It is possible for this to outweigh the revenue foregone from selling less output at the higher price, meaning that average profits per worker are maximised by *reducing* output in response to a price increase. By logical symmetry, the maximising strategy for a worker-managed firm when prices fall would be to increase production.

It has been demonstrated theoretically by Vanek and other economists that such perverse price-output responses only occur under certain restrictive assumptions, for example that the entry of new firms is excluded (Meade, 1972). Nor is there any empirical evidence of perverse responses to price changes by worker-managed firms. Actual worker-managed firms, such as the Mondragon co-operatives, actually prioritise keeping workers in employment (Schweikart 1993, p.92). The basic assumptions of Ward's model of the behaviour of a worker-managed firm are, in any case, flawed. For as Vanek argues, the practical bonds of solidarity that develop within worker-managed firms are incompatible with some worker-members voting others out of their jobs simply to achieve a modest boost in their own personal incomes. And even if they were tempted to do so, such actions are prohibited by the constitutions of actually existing worker-managed firms, which do not allow for the expulsion of worker-members (Dow 2003, p.147).

What arguably remains true is that, in comparison to conventional firms, the optimal output and employment level for worker-managed firms maximising average profits per worker will be less for any given set of prices. This may lead to structural unemployment in an economy of worker-managed firms. However, this is arguably a remediable problem, particularly if

there remain some private and public sector employment that is not worker-managed. Schweikart argues that job creation should be one of the criteria on which finance should be made available to worker-managed firms and favours the state acting as employer of last resort (pp.110-111).

It also does seem to be true that the level of output and employment in worker-managed firms is less sensitive to price changes. Dow (2003, pp.198-9) reports that studies of cooperatives consistently find that they respond to reductions in demand by reducing pay and working hours rather than by reducing employment. However, this is actually helpful for macroeconomic stability as it serves to dampen demand-led fluctuations in employment and so moderates the economic cycle (Malleson, p.74). In addition, greater security of employment arguably has important psychic benefits for individuals and is helpful for community cohesion.

More generally, it may be true that the incentives for expansion and growth in firm size in worker-managed firms are less strong than for conventional firms. Schweikart (1993, pp.96-8) argues that when demand is constant worker-managed firms will only be inclined to expand in size in the presence of positive returns to scale, for example when mass production allows goods to be produced more cheaply than small scale production. However, they will not be motivated to expand, as capitalist firms are, simply to increase total profits as these will need to be shared among a larger workforce. In addition, Wolff suggests they may feel that democratic participation would be compromised by growth in the size of the enterprise beyond a certain limit (Wolff, pp.160-1). Within Mondragon, firms are often subdivided once they grow beyond a certain point (Schweikart 1993, p.98) However, this need not be economically disadvantageous. Expansion purely for the purpose of profitability generates no efficiency benefits and may indeed bring about efficiency harms in the form of creating firms with substantial market power. And, at the macroeconomic level, the capitalist imperative towards expansion creates a systemic bias towards output growth that may be in conflict with other aspects of societal well-being, notably the need to curb environmental harms (Schweikart, 1993, pp.154-60).

One apparently important counter example to the likely macro-economic success of widespread worker-management may appear to be the case of Yugoslavia. For from the 1950s through to the late 1980s Yugoslavia's state-owned industry was characterised by a

high level of decentralisation to worker-managed firms operating largely in response to market forces. Yet the economy had run into crisis by the 1980s, experiencing high rates of inflation and unemployment and slowing productivity growth and the system was rapidly discarded in favour of a more capitalistic model while the country itself descended into violent inter-ethnic conflict (Wilde, pp.141-5).

However, to lay the blame for the economic and political failure of Yugoslavia on worker self-management would be a tendentious reading of history. The proximate cause of the collapse of the Yugoslav economy was external indebtedness brought about by declining relative competitiveness (Wilde, pp.142-3). This in turn was associated with inefficiencies resulting from state control of prices and production that persisted despite the claim that the Yugoslav system was one of self-managed market socialism. In reality, Communist officials at various levels continued to exercise effective control over the management of enterprises and problems of unemployment and inflation were exacerbated by flawed macro-economic policy responses such as uncontrolled monetary expansion (Schweikart, 1993 pp.100-1). The experience therefore tells us little about the prospects for worker self-management within a liberal democratic state with functioning market institutions.

### **5.3 Social and distributional impacts of worker-managed firms**

I accepted at the outset that the primary social purpose of business enterprise is the production of goods and services. Yet how such production is to be organised and its results distributed clearly has far reaching social consequences that are not captured at all by simple measures of economic output. Advocates of worker-managed firms often claim that a holistic evaluation of their social impact more clearly points to their advantages over conventional firms. In this section, I evaluate these arguments with due consideration to available empirical findings and to theoretical objections from conventional neo-classical economic perspectives, and from Marxist critics of autonomous worker-managed firms.

#### *5.3.1 Working hours and conditions*

There are intuitively plausible reasons to believe the subjective experience of work in worker-managed firms is likely to be more meaningful and satisfying for many workers due to the intrinsic benefits of greater participation in decision-making and the greater opportunities for engaging in higher skilled work (Schweikart 1993, pp.224-240). However,

in reviewing a handful of relevant empirical studies, Malleon (2014, pp.79-80) concludes that while evidence is consistent that workers in democratic firms reportedly value the benefits of greater participation and are less likely to quit or be absent from work, the effect on job satisfaction can be attenuated by falling short of enhanced expectations of meaningful work and by the sense of additional responsibility involved. However, one objective benefit of greater job control may well be better health, as there are robust associations between lack of control over work first identified by Marmot et.al (1984), as there are between health outcomes and inequality in general (Wilkinson and Pickett, 2009).

There are also other mechanisms, relating to the organisation of work, through which worker-management might have beneficial effects on the well-being of workers. Maximising total production without regard for labour burdens is a normative absurdity, but one that capitalism – in the absence of countervailing state regulation or trade union pressure – tends towards since higher production generates greater profits. The default is thus for productivity growth to be converted into more output rather than reduced working time, notwithstanding worker preferences to the contrary e.g. most workers across contemporary developed economies report preferences for working fewer hours, even at the expense of pay (Skidelsky and Skidelsky, 2012, pp.29-30).

In making decisions about working time, production methods and work intensity we can surely expect workers themselves, or their representatives, to place greater weight on worker well-being than would representatives chosen on behalf of private financial investors. As labour burdens are internalised in the decision-making process of worker-managed firms they may sometimes make choices to sacrifice additional income to obtain shorter working hours or improved working conditions. This even seems likely to hold true when the external investor is a socially responsible public agency, for its decision-making would still lack a direct and specific connection to the preferences of workers in particular operations.

Unlike state regulation of working hours (e.g. a statutory maximum working week), decentralised decision-making by workers also has the advantage of accommodating variety in the preferences of workers and the requirements of work in different firms and sectors. While strong trade unions or co-determination are also a means by which varied worker preferences can affect work organisation, their influence over decision-making is weaker

than worker-management and they provide a less sure route for the integration of worker preferences in decisions.

The major objection that might be raised to the case outlined above is that the competitive pressures of operating in a market economy do not permit worker-managed firms any significant scope to improve worker well-being. In abstract neo-classical economic models of perfectly competitive markets, the management of viable firms is postulated to be governed entirely by competitive pressures compelling them to converge on producing at the minimum feasible cost (Katz and Rosen, 1998, pp.326-339). While these models rely on a large number of implausible idealising conditions, the evidence outlined in section 5.1 which indicates worker-managed firms are as productively efficient as conventional firms – in the narrow sense of maximising output from given labour inputs – may appear to support the supposition that they bear down as hard on labour costs as other firms. However, maintaining a firm's productive efficiency in the round does not preclude making different choices about how much to produce or how to organise production. This can be seen most clearly for questions of working time. For while adjusting working hours downwards *might* reduce how much is produced in total<sup>76</sup>, it ought not to negatively affect the efficiency with which output is produced from a given amount of labour time. Its effects on productive efficiency should either be neutral, or beneficial by eliminating timewasting.<sup>77</sup>

In general, it should not be assumed there is no scope for other changes in work practices or organisation to improve both productivity and worker well-being either. The epistemic and motivational advantages of worker-management may allow for such outcomes. As suggested in section 5.1, some aspects of the management of work in conventional firms may relate more to maintaining managerial control and discipline over the workforce to the benefit of owners and senior managers than to maximising production. And even if workers do decide to sacrifice productivity in some areas for the sake of their well-being – for

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<sup>76</sup> This depends on whether there is a compensating rise in output per hour. Consistently working very long hours is likely to impose physical, cognitive and emotional strain and/or to reflect time wasting 'presenteeism' and so higher productivity from reduced hours is a plausible outcome in these cases.

<sup>77</sup> It is possible for reducing hours worked per worker to *raise* costs for a firm if it seeks to hire additional labour to keep output levels high. But unlike conventional firms, there is little incentive for worker-managed firms to do this.

example reducing the intensity and pace of work – this might well be offset by other productivity benefits derived from worker-management.

It would even be possible for worker-managed firms to sacrifice certain potential efficiencies to improve worker well-being. Neoclassical economic analysis is correct that competitive pressures act as a constraint on the extent to which firms can sacrifice cost minimisation for other objectives. Yet in real world markets, competitive pressures are rarely such as to completely determine firm behaviour, and there is usually scope for firms to deviate from minimising costs while remaining viable, displaying what economists identify as 'X-inefficiency' (Leibenstein, 1966) – although from an overall societal well-being perspective some such 'inefficiencies' might be normatively desirable. The degrees of freedom available to a worker-managed firm in making choices about work organisation will be influenced by a range of specific market and regulatory factors, but it will rarely be zero. That worker-managed firms are in practice as productively (in)efficient as conventional firms overall does not demonstrate that the specific x-inefficiencies they tolerate are necessarily the same ones.

Though from an opposing political perspective to neoclassical economists, some Marxist critics similarly contend worker-managed firms in a market economy are subject to the same processes of competitive accumulation of surpluses for re-investment and expansion that lead capitalist firms to continually bear down on the terms and conditions of work (McNally 1993, pp. 175-84; Ollman, 1998. pp.99-100). Indeed, they fear that by abolishing the distinction between management and workers, the resistance of workers to these processes may be weakened as they come to internalise the financial logic of the market in their decision-making, described by McNally as self-exploitation and by Ollman as a compounded alienation involved in making workers into collective capitalists. The fear here could be described as being that worker-managed market-socialism might be more 'efficient' by conventional criteria than social democratic forms of capitalism with strong unions, but with worse work-life balance and reduced job satisfaction. To compound the problem, worker-managed firms would, so it is presumed, do nothing to foster solidarity between workers across firms to resolve such problems politically and might even undermine it once they no longer have an easily envisaged common enemy in capitalist

management, so exacerbating the mystification involved in an ideological worldview that sees no possibilities for moving beyond a society of atomised, acquisitive individuals.

In response to this, it seems important to emphasise that in any economy where goods and services are produced for sale, there's always an upper limit to pay and working conditions set by a combination of (a) the productivity of the economy (b) the requirements of investment in maintaining and enhancing the economy's capital stock, labour skill levels and technology (c) redistribution to meet the needs of non-workers and (d) collective consumption. It is not necessarily the case that worker-managed firms in a market economy would 'over-invest' relative to some ideal normative trade-off between consumption now and later and even if they did (1) they would reap the reward through higher future consumption possibilities and (2) a tendency to excess investment could be corrected through the political process eg by varying the interest rate.

Compared with a capitalist market economy, a substantial factor bearing down on worker pay and conditions – the consumption demands of investors – is possible to eliminate. Worker-managed firms might also have greater scope to deviate from cost minimisation in the direction of improved working conditions in an economy where most firms have a tendency towards that, than in one dominated by purely profit seeking capitalist firms. Typically 'market socialists' also envisage an enlarged non-market public sector of the economy which would tend to act as a break on any 'race to the bottom' in terms of competitive pressures on pay and conditions. Many, such as Schweickart, also advocate various forms of socialisation of the financial system which would reduce the importance of the profit criterion in lending to firms.

Furthermore, and very importantly, worker-management removes a serious political obstacle to state regulation to improve worker well-being. In a predominantly capitalist economy, proposals for regulating the labour market to guarantee entitlements to minimum labour standards run up against the opposition of capitalist firms with substantial lobbying power and whom governments are in any case reliant upon to deliver economic growth (Przeworski, 1985). But this is not the case in an economy dominated by worker-managed firms – while the workers in each firm may still have an incentive to undercut their competitors, as political actors they have an interest in ensuring collective agreement on high labour standards. Overall then, the notion that neoclassical and Marxist inspired

critiques of worker-managed market socialism demonstrate that it would not bring about a substantial improvement on working conditions under capitalism seems drastically overblown.

### *5.3.2 Societal well-being impacts*

Some analogous considerations apply to the broader impacts on society of production by worker-managed firms. All production can impose costs or benefits on other parties that are not priced in markets; these costs and benefits are referred to by economists as 'externalities'. They are systematically over or under produced by profit-oriented firms relative to the socially efficient level. An important case of a negative production externality is the cost of damage to the natural environment by firms. Since worker-managed firms can be supposed to be motivated in large part by financial interest, it is likely they will also tend to discount the wider social costs and benefits of their operation. However, although research on the question is very limited, there are good reasons to think they would do so to a lesser extent than conventional firms, even if they were no more altruistic.

Firstly, there is the lesser incentive for growth in production and expansion of total profits in worker-managed firms outlined previously and the greater incentive for reducing labour time, which is likely to result in less exploitation of the natural environment. Secondly, as Booth (1995) has argued, given the relative aversion of worker-managed firms to improving profitability through growth in the scale of production or by reducing employment or labour standards, they are likely to be biased in favour of investment projects that conserve the use of energy and raw materials. Third, a firm's workforce is more likely to share commonalities of interest with other members of the community than are investors and their agents remote from the production process. For example, workers who live near a factory may share the concerns of other residents with the effects of its pollution on the local area. Askilsden et al (2006) provide evidence that firms with consultative works councils in Germany approve more local environmental investments. Fourth, as Schweickart argues (1993, p.145), worker-managed firms have no incentives to offshore employment to jurisdictions with weaker environmental protection legislation. Fifth, as I have outlined in chapter 3, more inclusive deliberation within worker-managed firms may improve the normative quality of decision-making.



At least the last three of these factors will also be relevant to mitigating other forms of negative societal effects of firm production beyond ecological harms, for example decisions that harm consumers of the firm's goods and services or the interests of the local communities in which the firm is located. For example, transportation workers may share concerns about the safety of operations with their passengers. Worker-managed firms would also be unlikely to relocate existing jobs outside of the local community and so would be likely to contribute to a more cohesive society (Wolff 2012, p.164).

Divergences between the interests of firms and society will not be eliminated and state regulation of firm behaviour will remain essential. Yet as such regulation can never be totally effective in achieving its objectives without a micro-management of the affairs of enterprises that is neither possible or desirable, changing the decision-making structure of firms to incorporate at least some external effects would seem highly beneficial.

### *5.3.3 Indirect justice effects*

It is also important to consider what indirect impact the extension of worker-management is likely to have on the justice of a society. The most substantial impact here is likely to be on reducing inequalities of income and wealth. The empirical literature shows that existing worker-managed firms have far more egalitarian internal pay structures than conventional ones. For example, in the Lega cooperatives the maximum permissible ratio of highest to lowest pay is 3:1 (Malleon, 2014, p.68), while at Mondragon – an association of large and heterogeneous businesses – it has been 6:1 since the 1980s (Malleon, 2014 p.61). That these are drastically more egalitarian arrangements than in typical capitalist firms is demonstrated by the fact that, at the start of the twenty first century, the ratio between CEO pay and the average worker was over 570 to 1 in the United States and between 10 and 25 to 1 in Japan and Europe (Glyn, 2006, p.58).

Statistical comparison of worker-managed and conventional firms confirm that pay differentials are smaller in the former. Bartlett and Cable (1992) found that the ratio of managerial to unskilled worker pay averaged at 75% lower in worker-cooperatives compared with private firms in north central Italy of a similar size in the same sector. The lower pay ratios in co-operative firms largely reflected substantially lower pay for firm managers. Burdin (2016), utilising social security administrative data on worker earnings

from Uruguay, finds that the pay distribution is substantially more compressed in worker-managed firms, after controlling for individual worker characteristics and firm attributes. Overall, workers in worker-managed firms enjoy a wage premium, but the size of the premium is inversely related to position in the earnings distribution, and it disappears altogether for the highest paid workers. For a worker at the 0.2 quantile of firm earnings, there is an average wage premium of 18%, as compared to an average wage penalty of 4% for a worker at the 0.8 quantile.

As we have seen, such egalitarianism does not prevent worker-managed firms from operating efficiently, indicating either that any loss of efficiency is compensated by other efficiency advantages of worker-management, or that a large proportion of top salaries in conventional firms represent the extraction of economic rents not productive incentives. It might be contended that decisions made by worker-managed firms to adopt egalitarian pay structures simply reflects the prior ideological preferences of the sub-set of workers who are attracted to them and so is not generalisable to a situation in which worker-management was to become conventional across the economy. However, it is unlikely that worker-managed firms as a whole are ideologically homogenous, given we have seen that many such firms are relative large and even have a dominant presence in particular regions. The American plywood cooperatives, despite lacking an overall ideological vision, also adopted a policy of equal pay for all workers, unusual in the sector (Dow, 2003, p.53).

Furthermore, in early 1970s Yugoslavia, where worker-managed firms dominated the economy, 'The job/qualification based differential within an average firm is generally situated at the 1:3 level...there are not many instances of firms losing – or failing to attract – highly qualified staff by offering insufficient rewards (Vanek, 1972, p.284).' Indeed, the larger the component of the economy worker-managed firms represent, the more egalitarian their pay setting may become as there would be less risk of a 'brain drain' of managers and skilled workers to conventional firms.

Survey evidence across developed countries indicates large majorities of the population think fair pay inequalities are much smaller than actually existing ones in their societies e.g. one study found that people in the US thought CEOs should be paid 11 times the wage of an unskilled worker, in Norway 2.5 times (Glyn, 2006, p.177). This is not a view confined to a particular minority section of the population such as those that vote for 'left-wing' political

parties. Possibly this apparent discrepancy might partly reflect lack of awareness of the scale of actual inequalities, or aversion to after the fact state redistribution (Hacker, 2011). In any case, in a conventional firm the incentives for owners and management to incorporate the normative views of workers on the size of pay differentials is limited. Where trade union bargaining is present, there might be some pressures on firms to mitigate pay inequalities between groups of workers (e.g. between male and female workers), but unions will typically have no direct influence on the salaries paid to top management, which are generally set by remuneration committees that are composed of other members of the highly paid elite. At most strong unions might have an indirect influence by constraining the political and financial space for firms to propose large pay rises for top management that are not offered to lower paid workers.

In a democratic worker-managed firm, in contrast, all pay differentials ultimately rest on consent from the majority of workers. The decisive median worker-voter has no interest in paying more for managerial or other specialist skills than is strictly necessary to achieving the goals of the firm as well as little affinity for expectations of reward sharply at variance with their own. The process of democratic deliberation might also produce a change in preferences towards more egalitarian pay norms, by allowing normative arguments for equality to be heard. In addition, the reduction in the number of supervisory workers and wider diffusion of skills and responsibility which, as previously outlined, are associated with democratic firms are also likely to have the effect of reducing pay dispersion within them.

Overall, we can conclude widespread worker-management is likely to substantially reduce inequality within firms. But might this be in the context of large inequalities between firms? In Yugoslavia, according to Vanek, 'Inter-firm differentials, of the order of up to 1:7 in extreme cases, are indeed a major source of criticism and tensions, even though they are by no means representative of the mass of 'normal' firms in ordinary conditions (Vanek, 1972, p.284).' These inequalities are still a lot lower than in capitalist economies and might be redressed by taxation, or similar mechanisms. Worker-management of firms also limits the scope for inequalities associated with investment income, though ultimately this depends on how investment is financed e.g. a system in which financial institutions recycled private savings into loans to worker-managed firms would generate more inequality than one where the investment function has been socialised.

Finally, a further means by which worker-management might improve social justice is by promoting a wider culture of engagement with the institutions of political democracy (Pateman, 1970). While this has a great deal of intuitive appeal, strong evidence for the thesis unfortunately appears scarce. A study of workers in American plywood cooperatives – whose ownership structure is at the individualistic end of the co-operative spectrum – has been taken as providing counter evidence, since they were not more likely to vote in elections at the federal level (Greenberg, 1981). Yet it is not obvious that apathy towards what is in many ways a flawed and plutocratic political system is necessarily a good indicator of lack of interest in democracy per se. These workers were more likely to vote in local elections and, as Malleson reports (Malleson, 2014, p.79), there are other studies which indicate co-operatives boost civic trust and social capital, which in turn is associated with greater political engagement.

#### **5.4 Barriers to the formation and sustainability of worker-managed firms**

If the evidence shows that worker-managed firms are as productive as conventional ones, have comparable survival rates, and may offer some efficiency advantages, then it might seem paradoxical to some that they are a relatively marginal presence in most market economies. For if a large proportion of workers have at least a modest preference for sharing in control of the firm they work in, we might expect there to be scope for mutually agreeable bargains between financial investors and workers around the establishment of worker-managed firms. The relative scarcity of such firms could be taken to indicate that a preference for worker-management is a decidedly minority taste among workers themselves. However, this seems rather unlikely. Firstly, workers working in conventional firms often do express a preference for control over decision-making. This is demonstrated both in opinion surveys (Malleson, 2013, p.625) and in the history of demands emanating from organised labour movements (Coates and Topham, 1974, Guinan, 2015). It might be questioned how intense or coherent these preferences are, but it is a fact that not all who work in conventionally managed firms do so because they approve of how they are managed.

Secondly, the idea that worker preferences will necessarily be accommodated suggests a highly idealised view of a capitalist market economy which is blind to the gross imbalance of power between owners and workers. It is the same rational choice theory explanation

which underlies opposition to any state, or union, regulation of the labour market on the grounds that it affects the freedom of employers and individual workers to strike mutually acceptable bargains. In this (implausible) view if workers sign contracts that fail to provide for limitations on working hours, holidays, sick pay etc. that is simply because they prefer not to accept the reduction in wages that would supposedly need to pay for them. It fails to explain why workers so often resort to unions, or the political process, to secure benefits from employers that they were unable to secure by themselves, nor the fact that in unionised firms both wages and non-wage benefits are higher than in comparable non-unionised ones (Metcalf et. al, 2001).

It might be argued, somewhat less implausibly, that the fact trade unions do not tend to raise demands for worker-management of firms suggest it is of limited interest to workers. However, this fails to recognise that most union activity challenges managerial prerogatives and that although it might typically focus on bargaining around a narrow range of issues concerning employee pay and benefits, this may simply reflect the greater willingness of firm management to discuss and compromise on these issues. It is only when unions are particularly militant and/or in unusually strong bargaining conditions – as in Western Europe in the 1960s and 1970s – that broader demands for workers control tend to emanate from them.<sup>78</sup> Union leaderships also face conflicts of interest in advocating worker-management since in a worker-managed firm the role of the union itself would be, if not redundant, then at least radically altered in form.<sup>79</sup>

It is, though, not very illuminating simply to reject the relevance in general terms of the rational choice explanation of the lack of worker-managed firms. Particularly if we want to understand the effectiveness of policy interventions to promote worker-management, a clear understanding of which structural factors inhibit their formation is essential. While empirical research in this area is inconclusive, it is possible to identify a number of plausible theoretical mechanisms. The first is what economists would refer to as path-dependency – that a current state of affairs is a self-perpetuating result of past history (David, 1985). Given

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<sup>78</sup> Another circumstance in which unions may advocate workers' control is an alternative to the closure or sell-off of an enterprise. This partially explains its popularity in the context of deindustrialisation in 1970s Britain, as its leading advocate in government, Tony Benn, conceded (Benn, 1980, pp.65-70).

<sup>79</sup> There is also a reasonable concern that half-way house solutions, such as minority representation on company boards, or offering individual employees ownership of shares in the firm, undermine workers' bargaining power by providing them with responsibility without control.

that the vast bulk of existing firms are shareholder-owned, changing the governance structure of these firms can only occur with their consent. Yet of course it is shareholders who would be disempowered by the introduction of worker-management of firms. Governance reform will also usually require the consent of the managerial elite within firms, who are likely to be opposed to the greater accountability it imposes, as may much of middle management who might reasonably regard their roles and privileges as under threat. If workers prefer self-management then existing firms would have an incentive to introduce it as a means to attract workers to the firm at lower wage rates, but this will be unnecessary if hardly any competitors are offering it. Even if they were, it is likely to be outweighed, from the perspective of the interests of shareholders and senior managers, by the disadvantages of relinquishing control of the operation of production and the distribution of firm revenues. The same holds true of any modest efficiency gains that worker-management might be expected to bring about.

Somewhat more puzzling is the question of why groups of workers do not often start new firms that they manage themselves. The first factor to consider here is that voluntary co-operation between a large and diverse body of people to set up anything is going to be more challenging than doing the equivalent as an individual, or by working with a few like-minded others. Once established, we know that worker-managed firms can be as successful, but the initial set-up will be more costly than for individual entrepreneurs or partners acting as owner-managers (Malleon, 2014 p. 84). There is what economists call a collective action problem (Olsen, 1965) in that while many workers might prefer to work in a worker-managed firm, none in particular see why they should take on the burdens of leading the process of setting one up. It is the same rationale that economists recognise for why the state needs to provide public goods that benefit a large, unrelated, body of people, such as street lighting.

Secondly, there is a problem of lack of familiarity with the idea of worker-management and related issues of lack of expertise and practical support for the establishment of worker-managed firms (Malleon, 2014, p.85). It is noteworthy that in places which are hubs of co-operative activity, there are institutions and networks that provide this educational function.

Even if these obstacles can be overcome, prospective worker-managed firms are likely to be disadvantaged in terms of finance. Most workers are unlikely to possess sufficient personal savings, even when pooled, to start up a firm on a scale that is capable of posing a major competitive threat to incumbents, a venture that is of course also fraught with risk. They will therefore need either to borrow from commercial lenders or sell equity in the firm to external investors. The latter is likely to be very difficult for a worker-managed firm, for while non-voting shares in firms generally are not unknown, the interests of the owners of these shares are usually safeguarded by those of external shareholders who can vote (Dow, 2003, p.192). A non-voting share in a worker-managed firm will therefore be an unattractive proposition to investors as long as alternatives are available.

Debt financing is more common for worker-managed firms, but also not without its difficulties. Banks and other commercial lenders will charge higher interest on loans regarded as higher risk, or avoid such projects altogether. If lenders lack familiarity with worker-managed firms or have misconceptions about them this would be a reason in itself for rating lending to them as higher risk. The democratic governance structure of worker-managed firms is also likely to raise risk premiums as contracts between a lender and a diverse range of multiple parties will be viewed as riskier than with a single, or a few closely associated parties (Bowles and Gintis 1996, as reported in Malleson 2014 p.84 n.36). There may also be a concern that easy access to credit will depress the motivation of workers to manage effectively (Eswaren and Kotwal 1989, as reported in Dow, 2003 p.186). Worker-managed start-ups are also likely to be under-capitalised and to have less to offer in the way of collateral than firms started by individuals or partners who already have considerable personal wealth (Dow, 2003 p.187). Finally, if the analysis outlined in section 5.2 is true, that worker-managed firms are less growth-oriented, then this would also reduce the returns to outside investors from financing their projects.

The less growth-oriented nature of worker-managed firms may also be a reason for why they are relatively marginal employers. For if they do grow more slowly than conventional firms then so will their share of overall employment. The lack of growth orientation might

also put them at a competitive disadvantage relative to other firms in terms of acquiring or retaining market share, even though they are just as efficient.<sup>80</sup>

The considerations outlined might help to explain why the government policies that exist in many places to promote the formation of new worker-managed firms through the provision of advice and financial support, while not ineffective, have not led to a systemic transformation of ownership patterns. For the rate of formation of new worker-managed firms is always likely to be lower than that of conventional ones. Given that voluntary conversion of the existing stock of firms to worker-management is in general likely to be prohibitively difficult, then the rate of flow of new worker-managed entrants would need to exceed that of new non-worker-managed entrants for the market share of the former to increase to any extent. Yet, due to the difficulties of surmounting the higher co-ordination costs and collective action problem involved, the tendency always seems likely to be for the rate of formation of new worker-managed firms to be lower than that of conventional ones. And even when they are formed, they may grow more slowly and acquire less market share. In order to transform ownership patterns, then it seems necessary to direct state intervention towards reforming the governance structures of the stock of existing firms, rather than simply promoting the flow of new entrants.<sup>81</sup>

While we have established (in section 5.1.2) that worker-managed firms have comparable survival rates to conventional ones, a possible concern still might exist around whether the democratic, egalitarian character of worker-managed firms tends to degenerate through the hiring of new workers who are not granted a share in firm management (Dow, 2003, pp.221-4). Ben Ner (1984) postulates an incentive for worker-managed firms to replace the labour of worker-managers who leave the firm with hired employees, since this allows remaining worker-managers a larger share of total profits. Gradually, hired employees would become a majority in the workforce and so the firm would be converted into a

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<sup>80</sup> This insight was suggested to me by Lucas Stanczyk

<sup>81</sup> The lower formation rate of worker-managed firms does of course suggest that an economy in which worker-management was mandatory might suffer from a lack of new entrants. However, the efficiency benefits of new competitors entering the market in such an economy might be less given generally smaller firm sizes and so greater market competition. To the extent that lack of new business formation contributed to unemployment, then state agencies could intervene either by creating new jobs directly, or through sponsoring the creation of new worker-managed enterprises.



capitalist enterprise. However, Ben Nur notes this tendency to degeneration might be countered by the lower productivity of hired labour.

Studies from the US and Israel show that some worker-owned firms do indeed make increasing use of hired labour over time (Jones, 1982; Russell, 1995; Pencavel, 2001; Pencavel, 2012). Yet these findings are far from generalisable to all such enterprises. Studies of worker co-ops in France (Estrin and Jones, 1992) and Uruguay (Burdin and Dean, 2009) find no consistent tendency for the proportion of hired labour to rise over time. It is likely that the constitutional rules of worker-managed firms often act as barriers to degeneration. Prohibiting hiring labour entirely might be inefficient, as it could prevent firms paying a premium for access to specialised skills, or new workers joining the firm for a temporary or probationary period (Pencavel, 2001). However, the rules which worker-owned firms adopt can offer greater flexibility than this while still being consistent with hindering degeneration (Alzola, 2010). Worker co-operatives in France are legally obliged to share their profits equally among all of the firm's workforce, regardless of whether they have an ownership stake. In Italy, legal limits on the amount of profit that can be distributed to the owners of a worker-managed firm and tax incentives for re-investment tend to reduce the benefits to firm owners of hiring labour. The Mondragon co-operatives have adopted a rule that caps the proportion of the workforce that is hired labour, while in Uruguay worker-owned firms obtain tax benefits by keeping the proportion of hired labour below a legally defined threshold.

## **Conclusion**

A thorough review of the literature on consequential economic and social impacts of worker-managed firms suggests that they are as efficient and successful as conventional firms and that this cannot be explained away by specific characteristics of the workers or industry concerned. Far from being detrimental to societal welfare, there are compelling arguments that a competitive economy in which worker-managed firms predominated would improve worker well-being, tend towards more socially responsible economic activity and reduce unjust economic inequalities without substantially impairing the productive capacity of the economy. However, worker-managed firms do face a number of serious structural barriers that hinder their setup and growth as a share of the economy and explain why they will not displace conventional firms spontaneously. Far from undermining the

relational egalitarian case for worker-management, then, analysis of wider considerations supports the case that states should be supporting its spread.

## **Chapter 6: Exit, and the role of the state in democratising firm governance**

In previous chapters, I have developed a critique of the subordination of employees to non-democratic authority that has focused on economies where income from employment remains central to securing a socially acceptable standard of living for most people, and so the participation in employment relations of household members may typically be considered as non-voluntary. My ethical objection to undemocratic firms is not founded on this, as I argued in chapter 1 that it is possible for even voluntary social relationships to exhibit characteristics of subordination that relational egalitarians have reasons to find undesirable. However, my arguments for the legitimacy of state intervention to democratise firms, discussed most extensively in chapter 4, have so far presupposed the conditions of contemporary economic systems in which many people possess no alternative means of subsistence than selling their own labour.

Yet an increasing number of political theorists have proposed that the best means of addressing the imbalances of power between employers – whether private owners or state officials – and ordinary workers are state policies that enhance the power of workers to exit employment relationships (Von Parijs, 1997; Pettit, 2007; Widerquist, 2013; Taylor, 2017). A typical recommendation of these theorists is a radical conception of a Universal Basic Income (UBI), by which the state pays an unconditional regular income to all its citizens that is supposed to be sufficient to allow them to participate fully and with dignity in society. By facilitating workers exiting employment relationships at will without rapidly falling into dire need, a radical UBI – so it is claimed – makes employment relationships essentially voluntary. As such, UBI can be seen as providing an alternative to state intervention to democratise firms as a means of overcoming non-voluntary subjection of workers to the decisions of unelected managers. Moreover, for some it represents a superior alternative since it is supposed to be based on widening the choices available to potential workers as to how they wish to work, rather than state interference to restrict how people may associate for economic goals.

In this chapter I explore these arguments and those of pro-worker critics of an exit-focused approach to strengthening worker bargaining power, such as Alex Gourevitch. I contend that enhancing worker power to exit is insufficient to ensure the governance arrangements

of firms reflect worker preferences and so to end involuntary subordination at work. In contrast to the supposition that advocates of an exit-focused approach make, I argue that state intervention to democratise work widens rather than restricts the meaningful freedoms available to the propertyless majority. Furthermore, it is more compatible with ideas of fair reciprocity than a radical UBI and is associated with a more convincing theory of political change. I conclude by sketching out the implications of my thesis for the forms that state intervention to democratise work should take.

### **6.1 Exit as a potential solution to involuntary subordination at work**

Political theorists have advanced several justifications for enhancing worker power to exit the employment relationship. Van Parijs (1997) argues that payment by the state of the highest sustainable UBI is necessary to ensure the greatest possible opportunities for action to those with the fewest substantive choices and so the ‘real freedom’ of all, thereby serving to justify capitalism. Widerquist (2013) claims that any forced participation in work is an objectionable limitation on our voluntary free action and so independence. Pettit (2007) maintains that the best justification for a UBI is that it is necessary to end arbitrary domination (in the liberal-republican sense) of workers by employers in capitalist economies. Srincek and Williams (2015) advocate UBI as a means of strengthening the collective bargaining power of workers and, like Mason (2015), to facilitate an accelerated automation of work, paving the way for a post-capitalist society in which work is less central. Malleson (2013) suggests that enhanced power to exit may facilitate the spread of democracy at work by increasing worker bargaining power, just as he believes that making divorce easier has helped to promote more egalitarian relationships within marriages.

The question that interests me is whether enhanced exit options for workers can be said to end the involuntary subordination to non-democratic hierarchies at work I outlined in chapter 1, and so make state intervention to democratise firms unnecessary. While the concept of subordination I derive from Kolodny does not tend to feature in the work of the UBI theorists I will examine, their views on the relationship between exit, voluntary participation in work and non-domination of workers, are closely related to it. For if employment is truly voluntary then it ought not to be a case of either domination or involuntary subordination. In this chapter I will tend to address closely related questions around involuntary participation at work, republican non-domination and the concept of

involuntary non-subordination simultaneously, though I will make relevant distinctions between them at points where the implications of arguments may diverge.

The concept of 'exit' stems from the economist Hirschman's (1970) account of the mechanisms by which individuals can influence the behaviour of associations they have relationships with as consumers, workers, members, or citizens. One of these mechanisms, 'voice' is to engage in direct dialogue – individually or collectively with others in like position – with the association in question. The other, 'exit', involves terminating the relationship by no longer purchasing from the association, working for it or being a member or citizen. Which of these mechanisms is appropriate to employ, Hirschman suggests, will depend on their relative costs and benefits. These costs and benefits will reflect such factors as the availability of alternative options for securing certain goods and any psychological attitudes of loyalty that individuals may have acquired through their relationship with a particular association.

Exit is the predominant course taken by dissatisfied consumers in market economies where multiple firms compete for custom and there is typically little sense of social obligation to any one of them. While engagement with some non-market institutions such as voluntary sports clubs may be less purely instrumental, as they can involve significant social relationships, the costs of exit are also often low as they do not involve sacrificing essential goods that cannot be obtained elsewhere. However, in some non-market institutions, notably the state, the instrumental and psychic costs to individuals of leaving are disproportionately high given lack of alternatives, while the penalty to the institution for losing the contribution of any individual member can be discounted as they are not subject to competitive pressure to maximise such contributions. This results in much greater emphasis being placed on the mechanism of 'voice', in the case of the state usually through collective means such as political action.

As I outlined in chapter 1, many contemporary liberal egalitarian theorists recognise that the necessity to earn a living constrains worker power to exit employment and makes workers vulnerable to domination and unfreedom at work. They therefore often support some means of strengthening worker voice such as trade unions. However, many also reject state intervention to make worker voice dominant in firms through democracy in firms, at least in so far as such intervention goes beyond facilitating the voluntary formation

of worker-managed firms. One line of argument against stronger intervention to require firms to be democratic is that it violates important liberties such as freedom of association, which I addressed in chapter 4. However, another source of objection is that state action to enhance worker power to exit the employment relationship could make participation in work a voluntary choice, rendering state intervention to 'mandate' democracy at work either unnecessary to end domination and involuntary subordination, or illiberal if it aims at ending voluntary subordination.

Some theorists more sympathetic to democracy in firms argue that enhancing worker power to exit would tend to promote democracy at work, since if workers were free to leave their jobs this would enhance their power to bargain for changes in firm governance. Malleson (2013), for example, makes an analogy between reforms to make divorce easier and enhancing worker power to exit employment. He argues that, as regards the relative importance of exit and voice, non-market institutions such as marriage and employment occupy an intermediate category between the state (which is required to be democratic) and membership of private clubs or consumer transactional relationships (whose constitution should be entirely a voluntary matter). Unlike the latter, marriage and employment play a central role in defining people's social standing and the costs of exiting can be very substantial. Importantly, both marriage and employment can also be seen as examples of at least historically inequalitarian social institutions, where in the former there is an asymmetry of power between wives and husbands and in the latter between workers and bosses. In these cases, Malleson argues that there is a role for state intervention to enhance the voice or exit options of the weaker party in the relationship.

The analogy between employment and marriage leads Malleson to an emphasis on enhancing power of workers to exit firms combined with state policies to facilitate the voluntary formation of alternative democratic firms. For he suggests that in the case of marriage, making divorce easier has contributed to enhancing the voice of wives in relationships since their complaints need to be taken more seriously. State intervention to require that decision-making in marriages reflects egalitarian principles is meanwhile generally regarded as unnecessary and illiberal, as people ought to have the freedom to engage in non-hierarchical relationships if it is truly a voluntary choice. Unlike some advocates of exit-based approaches, Malleson is clearly a strong supporter of democracy at

work but his analogy with marriage is questionable. As outlined in section 4.3.1, state intervention in personal intimate relationships is more objectionable on liberty grounds than regulation of businesses, as well as of being of doubtful practicality. Furthermore, the view that workers would be able to influence firms to alter their governance arrangements through an enhanced power to exit presumes that exit really would strengthen worker bargaining power very substantially.

The concept of exit in relation to employment has multiple meanings and these are not always clearly distinguished by its advocates. Birnbaum and De Wispelaere (2016, pp.62-4) introduce a useful categorisation of incomplete or weak exit, strong exit and radical exit. Incomplete exit occurs when a worker reduces their commitments to their employer, for example by working part time or taking a sabbatical. However, this does not by itself alter the ongoing subjection of the worker to the will of their employer and so does not constitute a fundamental change in the employment relationship. What Birnbaum and De Wispelaere call strong or complete exit occurs when a worker quits their job to obtain another. This is often the form of exit that liberal-republican advocates of enhancing worker power to exit such as Pettit tend to be most focused on. It rests on the notion that a worker can resist subjection to the arbitrary decisions of one employer by going to work for another, or by threatening to do so. A realistic option to exit enhances individual worker bargaining power and so allows them to obtain better terms and conditions from employers.

Yet as Gourevitch (2013) has argued, from a radical labour republican perspective, a focus on this concept of exit overlooks the structural domination of the propertyless class by employers. In the absence of alternative means of living, propertyless persons must work for some employer. Given the problem of incompleteness of contracts described in chapter 1, all employers will require workers to submit to wide ranging discretionary authority at work that can be wielded arbitrarily. If all employers assert their claims to manage production in their own interests, then the propertyless person has no choice at all that avoids subjection to the (arbitrary) will of another. They will not be able to use a threat of quitting to bargain effectively with particular employers about democracy at work if there are no other employers they could move to that offer it.

What may interest critics of the structural domination or structural subordination of workers is a third form of exit – the ability to leave the labour market altogether and work for nobody, which Birnbaum and De Wispelaere call ‘radical exit’. If this option were available to propertyless persons then it could be argued to transform the decision by a worker to sell their labour into a voluntary one, allowing them to strike bargains with employers that reflect their preferences about the degree to which they will accept subjection to another’s will at work in return for income gains or other goods.

## **6.2 Would a UBI end involuntary subordination at work?**

The central policy proposal of advocates of exit-based approaches is usually a Universal Basic Income which prevents financial hardship during unemployment and so makes quitting a job without another lined up a more feasible option. UBI, like democracy in firms, has been argued for from a variety of theoretical perspectives. For my purposes, I am not concerned with whether UBI is a good idea per se, for example whether it is a better means of eliminating poverty than macro-economic policies prioritising full employment combined with a universalistic Nordic style welfare state. There is no logical incompatibility between a UBI and state regulation in favour of democracy in firms, so a society that instituted both is at least conceivable and arguing for one does not exclude supporting the other. Nor does advocacy of UBI stand opposed to democracy in firms as an ideal, indeed some UBI advocates might claim the enhanced bargaining power it gives workers would produce a relatively favourable context for the expansion of democracy in firms, without any need for state regulation. Rather, the question I am concerned with is whether the enhanced exit options for workers a UBI could provide removes any justification for state regulation in favour of democracy in firms. Neither will I consider the philosophical objection to UBI that permitting some capable adults to live comfortably in perpetuity without making a productive contribution to society violates norms of fair reciprocity. This is because I wish to focus on assessing the case for UBI as a means of empowering individuals to live more freely.

It is important to distinguish in this discussion between less and more radical version of UBI (Stanczyk and Gourevitch, 2017). Less radical proposals for a UBI involve paying an income that is pitched at subsistence level only, in the bare sense of subsistence as meeting physical needs essential for survival. The more visionary and radical UBI proposals are for paying an



income that would enable recipients to live a tolerably decent life by the accepted standards of the society in question. The former would obviously be a much less enticing alternative to employment for workers than the latter, indeed it can be questioned whether it is represents an alternative anyone would voluntarily choose at all, except in the most oppressive and exploitative work situations. However, the latter can be more plausibly argued to provide workers with a feasible alternative option to employment and so it will be what I will focus on in this chapter to assess the claims for UBI in their strongest form.

How, then, would a radical UBI affect the prospects for weak, strong and radical exit by workers? It does seem likely it would facilitate some forms of weak, incomplete, exit by workers, such as reduced work hours and sabbaticals. However, these would not necessarily be attractive to workers in general as if they continued to rely on employment income then reducing their visible commitment to their jobs might have adverse consequences for their future employment. In any case, as I have outlined these forms of incomplete exit do not by themselves constitute a fundamental change in the employment relationship. The case for UBI as an alternative to state intervention to democratise firms must therefore turn on its capacity to enhance either strong or radical forms of exit. To examine whether this is the case it is first of all necessary to assess which factors make such forms of exit difficult in the absence of UBI.

In existing economies workers do of course possess the formal right to exit completely from their job and move to another and the costs of doing so are not great enough to stop people from frequently doing so voluntarily. However, it is rarely a decision that is taken on a whim, like a consumer might exit a relationship with a supplier. Consider the difference between someone changing their brand of toothpaste and taking a new job with a new employer after having worked for their existing employer for many years. In the former case, assuming each brand is equally available to buy then there need be no significant cost at all and the choice is easily reversible, while the latter will involve a change in daily life across a range of dimensions (e.g. nature of the work itself, working environment, social relationships, commuting, location) that is hard to anticipate in advance and will always involve some risk of turning out badly.

Furthermore, for many workers, leaving a job without advance planning also risks unemployment, loss of income and financial hardship. While employers may incur some

recruitment costs to replace an individual worker, this is extremely unlikely to be equivalent to the penury caused by unemployment. The typical asymmetry of bargaining power between employer and worker means that the costs of exit fall much more heavily on the worker and so exit is rarely a credible threat for an ordinary worker to use to gain improvements in terms and conditions. Besides, the question of firm organisation and management structure is not something that can be addressed by individual workers in negotiations with employers as it is inherently a collective issue. An employer may agree to pay a particularly valued worker more to prevent them quitting, but they will not change the whole organisational structure to do so.

It is for these reasons – that individual threat of exit is weak and some issues of contestation at work are inherently collective – that workers often form unions to provide them with a strong collective voice and employers often try to prevent these unions being formed or undermine them. Yet as has been suggested in previous chapters, even unions are unlikely to be able to overcome domination at work, or to bring the subordination of workers to management to an end. Their function is rather to mitigate the harshness of such subordination and their ongoing existence as internal opposition to firm management an indicator that subordination itself continues.

Importantly, unlike with changing a brand of toothpaste, changing a job is not something that is within the individual worker's power to effect at will since it requires the agreement of another employer to take them on and unless a worker happens to have skills that are in great demand where they live then this will rarely be easy to secure. That acceptance by another employer itself often rests on a satisfactory reference from a previous employer also places limits on the reasons for and manner of leaving a role. Changing employers very frequently, or being unemployed for a long stretch of time, is typically penalised by prospective employers in assessing job candidates as it may, sometimes unfairly, tend to suggest unreliability (Birnbaum and De Wispelaere, 2021, p.917). The crucial point is that even the most plausible and narrowly defined way in which workers have an exit option in actually existing capitalism – moving between jobs – cannot be said to be entirely within their own control. Indeed, to the extent that the referencing and reputational factors I have mentioned are strong and pervasive, it may be more accurate to describe workers as subject

to a cartel of employers which prevents them challenging the hierarchical authority relationships of any one of them in any fundamental way.

I would argue that acknowledging the relevance of these features of the labour market, substantially qualifies the case that a UBI enhances worker power to exit, even using the non-radical concept of exit as moving from one job to another. A UBI reduces the immediate financial costs of being unemployed and so does make it easier to leave a job without having another one lined up. However, there does not seem to be a mechanism by which this then makes it easier for the worker to secure another job. It is true that one explanation of neoclassical economists for the existence of unemployment is due to workers choosing to search for another job (Phelps, 1969). Yet while I would not rule out that for some individuals such a strategy may occasionally make sense - for example a high skilled worker quitting a minimum wage job to focus on lengthy application processes for higher paid roles - search unemployment is not a strategy that meaningfully enhances worker bargaining power, rather it is about making the matching process between workers and employers operate more efficiently. Nor does a UBI abolish the reputational and referencing features of the market for hiring labour that I have outlined, meaning that many of the risks to the worker of quitting a job on bad terms or without another to go to remain.

It might be argued to the contrary that access to non-labour income at least allows unemployed workers to hold out for longer against accepting a job with lower pay or conditions and so enhances their bargaining power. However, if a worker still ultimately must accept some job (and likely soon) then this is not going to be particularly effective in influencing the terms and conditions on offer from employers. More likely what a UBI may do is prevent workers from temporarily accepting jobs below their actual labour market status to secure subsistence. Again, this can be viewed more as an enhancement in labour market efficiency rather than a change in the balance of power. It is not a route by which workers are going to be able to challenge hierarchical authority at work, which as I argued in chapter 5, their bosses have a very strong vested interest in maintaining.

Some UBI advocates might yet respond that by reducing the financial cost of not working UBI potentially enhances collective worker bargaining power, for two reasons (Srincek and Williams, 2015, pp.120-1). Firstly, when workers strike they normally forfeit pay they would have received at work. Unions may replace this with strike pay but they do not always have

the funds to do this. UBI allows workers to go on strike without losing all their income, making them more willing to use or threaten strike action to bring pressure on bosses. Secondly, workers sometimes have reason to fear that going on strike, especially if it is for a very extended time, will result in them being fired and replaced. To the extent that it makes unemployment less costly, UBI makes this fear less acute.

It is surely true that, all other things being equal, a radical UBI would enhance union bargaining power. However, it would not eliminate concerns about loss of income or unemployment as constraints on strike action. Workers would still lose (possibly a substantial amount of) income when striking and, since typically, their regular outgoings and financial commitments are related to their usual income they would not be eager for this to happen. Nor would workers be indifferent to unemployment simply because they would have the option of living on UBI since this discounts the long term economic and social benefits of remaining employed. Indeed, if workers are engaging in strike action it suggests that they in fact remain committed to their jobs (Birnbaum and De Wispaleare 2021, p. 915) – if the costs of quitting their jobs were in fact bearable then it would make little sense for them to go to such lengths as striking to influence their current employer.

Moreover, to the extent a UBI can make it easier for unions to threaten strikes, any benefit would depend on workers being sufficiently organised to take advantage. A UBI does not itself build collective worker organisation and overcome employer hostility and worker apathy. Indeed if a UBI does have the effect of reducing the psychological attachment of workers to particular workplaces and to work in general then it is possible this could make it harder to build collective workplace organisation. And as Birnbaum and De Wispalaere (2016, pp.68-70) argue, enhanced opportunities for individual workers to exit may decrease their motivation to engage in collective voice. Critically, there are no grounds at all to presume that a UBI would ensure that workers have sufficient collective bargaining strength to pressure employers into introducing management structures that reflect worker preferences around democracy at work.

Indeed, in the absence of strong countervailing power in the labour market, it is conceivable that a UBI might have the perverse effect of weakening the bargaining power of some workers. For if workers are in receipt of a basic income, this may facilitate them taking jobs that are paid less than they otherwise would have demanded, and even paid below

subsistence level. As Birnbaum and De Wispelaere (2021, p. 920) underscore, there are advocates of UBI who positively welcome the possibility that some workers will feel more able to take subjectively meaningful, lower paid, jobs, or substitute part time for full time work. However, there is clearly a risk that UBI could act as a more general subsidy to employers to lower wages and other employment benefits if a substantial number of propertyless persons remain invested in the jobs market, for social, psychological and long-term economic reasons. Moreover, to the extent that UBI makes unemployment less costly it also seems likely that workers will find it harder to mobilise to demand assurances of job security and protection against redundancy from employers and that employers will take advantage of this to restructure businesses and reduce employment with less resistance from the workforce (Birnbaum and De Wispelaere 2021, p.922).

How about the extent to which UBI affects the most radical form of exit, involving the ability to exit the labour market permanently and work for no employer? It is indeed a constitutive feature of UBI that a recipient is able to live without selling their labour. However, it does not make a permanent decision to abstain from doing so without substantial costs. For in general people do not wish to live on the minimum socially acceptable income for the whole of their lives and a large majority will be able to secure a higher standard of living by selling their labour. It may be objected that this would constitute a voluntary decision to trade subordination at work for income gains. However, to describe actions that conform with widespread minimal social expectations as voluntary would seem a peculiar conception of free choice. Deliberately choosing to live on the socially acceptable minimum income in perpetuity is not actually equivalent to a socially expected life course. It might become slightly more socially acceptable if unusual individuals with strong resistance to social expectations were enabled by UBI to set an example of doing so. But it still seems very unlikely to be seen as an acceptable lifestyle option by the great majority in a society where those who own and control the means of production live incomparably more opulent lives than the socially acceptable minimum and influence prevailing consumption norms.

Nor are the social expectations around work limited to income gains. As Gourevitch (2016) suggests, working can be a means to secure various forms of social respect and connections to others. It is also surely for many an important component of a worthwhile life and so of self-respect. While 'post-work' theorists (Mason, 2015; Srincek and Williams, 2015; Bastani,

2019) may object that this is all ideological and in the service of a capitalist work ethic, even if this were to be accepted it is surely at least a value system that is unlikely to be altered without a much more fundamental restructuring of the 'relations of production' than the introduction of a UBI would itself bring about. A stratified society, in which ownership and control of production is in the hands of a minority, and the rest can only hope to achieve anything remotely resembling their standard of living except by selling their labour to them is inevitably going to be one in which paid labour remains a central feature of life and exerts a substantial influence on social valuation of work.

Importantly, the sustainability of a UBI also relies on it being set at a level that does not incentivise the majority, or even a large minority, of workers to exit the labour market. For a UBI is financed by taxing the productive contributions of those who are working.<sup>82</sup> If a majority or large minority of workers decided to exit and live only on UBI this would result in levels of taxation on those who still worked that would be extremely high and that would erode the incentive to work still further. It seems very unlikely that such a situation would prove to be politically sustainable and would probably lead to the scaling back of UBI at least to a level where the vast majority of potential workers were attracted back to employment.

Advocates of UBI generally argue that it is sustainable because most would want to continue working because of the material and non-material benefits of employment even when a UBI is set at level that provides a tolerably decent life. As I have outlined above, this seems plausible. However, it also is inconsistent with the claim that a UBI would facilitate a vast increase in worker bargaining power. For as Lazar (2021, pp.439-441) argues, the only conceivable way in which a UBI could facilitate such an increase in bargaining power is for a large fraction of the workforce to be attracted enough to the 'radical exit' option that employers would need to transform the nature of work to attract them back. The picture here is that UBI could trigger a fundamental crisis of the economic system by provoking mass withdrawal of consent from authoritarian firms. Yet this is not consistent with supposing that a UBI is a politically stable option that would not be subject to backlash.

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<sup>82</sup> The whole value of the output of these productive contributions do not accrue to workers currently, as they may be claimed in profit, interest or rent, or taxes. Nevertheless, their labour is necessary to produce the output that would be taxed to pay for UBI and the larger any contraction in the labour force the more likely that a UBI would need to be financed by increasing taxes on the pay of those who remained in work.

Furthermore, Lazar points out, if workers are aware that the existence or level of UBI is politically contentious then they will be less likely to want to take the risks associated with withdrawing from the labour market. For if political conditions changed so that they could no longer rely on UBI their lack of work history would count against them with employers.

It therefore can be concluded that even a radical UBI neither greatly enhances worker bargaining power over the terms of employment when moving between jobs, nor facilitates radical exit from the labour market altogether as a realistic option for most workers. As such, claims that UBI provides workers with the freedom to avoid subordination at work either through negotiating rights to democracy at work with their employers or allowing workers the freedom to just stop working are mistaken.

### **6.3 Does UBI provide workers greater freedom of choice than democratic firms?**

My argument in section 6.2 that a UBI does not make working a voluntary choice may not convince those who believe that if workers have even a theoretical option to live tolerably decently without working then they are free not to work. However, the implication of this view would still only be that strengthening worker power to exit is one means of overcoming involuntary subordination at work. It would still not necessarily make it a more normatively preferable method of doing so than state regulation in favour of democracy at work. Proponents of the exit solution seem to presuppose that it is, perhaps because the 'negative liberty' of individuals vis a vis coercive state authority is apparently greater. However, what the exit solution does not necessarily provide to individuals is any means of realising a preference for non-subordination *at work*. If firms remain in general undemocratically organised, as my analysis of the continued asymmetry of power between workers and employers in section 6.2 suggests, then UBI only provides the propertyless majority with a choice between being subordinated at work or simply not working at all. It is far from obvious why such a society should be regarded as normatively superior to one in which there are wide opportunities to work in conditions of non-subordination, for example through state intervention to ensure all private firms above a certain size are democratically organised.

To further illustrate my argument here, we may compare a variety of economic systems which differ in respect of whether there is a radical UBI or state regulation in favour of

democracy at work and the actual choices they provide to the propertyless, conceding for the sake of this argument that UBI does make work voluntary. In society (1) there is no UBI or requirement for democracy at work as is the current status quo, in (2) no UBI but a requirement for democracy at work, the dreaded 'mandatory democracy' solution, in (3) a UBI but no requirement for democracy at work as proposed by exit enthusiasts, in (4) a UBI and a requirement for democracy at work, in (5) no UBI, and a requirement on many, but not all firms for democracy at work and in (6) a UBI and a requirement on many, but not all firms for democracy at work. The actual choices facing the propertyless in each of these scenarios is as follows:

- (1) No choice but to work in conditions of subordination
- (2) No choice but to work in conditions of non-subordination
- (3) Choice to work in conditions of subordination or not work
- (4) Choice to work in conditions of non-subordination or not work
- (5) Choice to work in conditions of subordination or non-subordination
- (6) Choice to work in conditions of subordination or non-subordination or not work

The preference ordering that would seem to most enhance meaningful freedoms here is probably (6), (5), (4), (3), (2) (1), with possibly some uncertainty as to the relative ordering of (3) and (2). This ordering is on the basis that freedom from subordination at work is more meaningful than freedom not to work or to work in hierarchical conditions, but even without supposing that it ought to be clear that (6) provides the widest scope for choice despite involving regulation to support democracy at work. Moreover, there is no way of constructing a preference ordering that does not involve making some judgement about which freedoms are more valuable. Advocates of exit-based solutions with a strong distaste for state regulation in favour of democracy at work seem committed to the preference ordering (3) (6) (4) (1) (5) (2) but this can surely only be based on supposing that freedom not to work is more valuable not only than the freedom to work in non-subordinated conditions, but even than the freedom to choose between working in subordinated or non-subordinated conditions. For in option (5) there is no UBI but there is no requirement to work in either hierarchical or non-hierarchical firms.

Of course freedom or autonomy are not the only values that might be used to discriminate between the options. Theorists who accept an argument from reciprocal fairness that



everyone who is capable should contribute to the labour burdens of a society, might prefer (5) and (2) over (6). A 'capitalist work ethic' proponent hostile to people not working and in favour of firm hierarchy might favour (1) (5) (2) (3) (6) (4). However, if exit enthusiasts suppose that their position is normatively superior because it maximises freedom and autonomy and is most consistent with neutrality about the good then this supposition appears ungrounded. Rather, their preferences around the superiority of exit seem consistent with a valorisation of individual mobility and lack of binding social connections combined with an instrumentalist attitude towards work and subordination to authority that may be relatively common in contemporary capitalist societies but is anything but neutral.

One exit theorist who has outlined other reasons why they think strengthening worker power to exit is normatively superior to democratising firms is Taylor (2017). In his view, which he identifies as liberal-republican, any state regulation of the behaviour of economic actors brings its own risks of domination. He argues that any regulations imposed on the behaviour of firms, including measures to democratise their management, will need to be enforced in the face of investor attempts to circumvent them and that such enforcement requires handing arbitrary powers to the state agents tasked with ensuring compliance. This, Taylor warns, raises the spectre of creating new forms of domination of firms by the state (Taylor 2017, pp.21-3). In addition, Taylor is wary of any measures to enhance collective worker voice, such as unions, rather than empower individual worker bargaining power, in part because he fears the potential for the creation of new sources of domination, claiming that,

'to allow workers to unionize across all labor markets, including those where employers lack significant market power...would...*increase* the capacity for domination and exploitation, in this case of employers by employees (p.24).'

Taylor concedes that state regulation of employers might reduce the net amount of domination in society but he claims that this it will be inferior to the option of enhancing market competition and worker power to exit.

Taylor's anxieties about firms being dominated by the state or by their workers seem misplaced. Firstly, what he is actually referring to is the supposed domination of the

interests of the wealthy investor class who own the means of production. Now I can conceive there are certain ways in which state officials or worker representatives could hypothetically deal with individual members of this class in a way which is arbitrary and possibly violates their human rights. For instance, in authoritarian states such as Russia or China it is sometimes the case that individual business owners are deprived of life, liberty or property without due process or a rule that can be universalised. But we also have examples from liberal democratic societies of how the enforcement of business regulation can be constrained by law and opinion to an extent that may not eliminate the discretionary power of regulatory agents but does not violate any essential rights.

In any case, I do not think that it makes sense to speak of the use of countervailing power against the interests of a social group with dominating power in society as being itself a form of domination. If a slave was to kill her master's family that may be a brutal crime, but it is not an exercise in social domination of slave owners by slaves. Still less could forms of slave resistance which cause arbitrary loss or inconvenience to their owners be regarded as so. When democratic state regulation is enforced against employers in the interests of workers it similarly ought not to be regarded as domination, even if there are criticisms that can be made of how regulations are applied. Taylor's presumption that employers can be dominated by workers appears to be based on a theory of exploitation which defines it relative to the bargains between individual workers and employers that would be struck in an idealised competitive market (Taylor 2017, pp.50-4). In this view, if monopolistic employers possess disproportionate market power, they may pay exploitatively low wages. However, if workers combine collectively to raise wages above the supposed competitive market level then they are similarly exploiting employers. This is not, however, a normative account of the distribution of income between labour and capital that an egalitarian need accept.

A more reasonable contention that Taylor might endorse is that enhancing worker voice could benefit the interests of some workers more than others. However, to describe the outcome of democratic majority decision-making as domination would be contentious as it also implies that collective political decision-making in general dominates minorities. Furthermore, even if it is correct to worry about some limited forms of domination of the interests of some workers by others arising from state regulation to enhance worker voice,

this risk must be set against the continuation of the involuntary subordination and domination of all workers by employers. I have argued this would continue to occur even with the enhancement of worker power to exit that a UBI would bring about. The arguments Taylor provides for why exit would overcome the asymmetry of bargaining power between employers and workers are not distinct from those that I addressed in sections 6.1 and 6.2 and so are not considered further here.

#### **6.4 Political feasibility of UBI, and assessment of alternatives proposals to enhance exit rights**

While I think the arguments presented above that UBI is not a normatively superior alternative to democracy in firms are compelling, it is worth also considering whether it forms part of a more viable political strategy for enhancing worker bargaining power. Some of the current appeal of a UBI to egalitarian political theorists lies in its potential as a ‘non-reformist reform’ that serves to weaken the centrality of work in society and to strengthen the economic and political power of workers in the face of a decline in the organised labour movement (Srincek and Williams, 2015). It is supposed by such theorists that changes in the nature of work in recent decades, such as deindustrialisation and the growth of part time and more flexible but often precarious forms of employment, alongside the development of a post-modern individualised consumer culture undercut an egalitarian politics that has a focus on work and a revival of organised labour.

These are large questions, an adequate response to which is beyond the scope of this thesis which is focused on normative principles and their implications rather than questions of political strategy. However, I have already outlined that UBI cannot be relied on as a remedy for strengthening the power of organised labour. Stanczyk and Gourevitch (2018) make a compelling case that a radical UBI i.e. one paid at a level that is sufficient to permit ‘radical exit’ in fact presupposes a massive strengthening of the class power of workers. This is because financing a (radical)UBI is so costly that it would necessarily involve a far reaching redistribution of income away from the richest in society. Such redistribution would be strongly politically resisted by those who hold disproportionate economic and political power and so could only be brought about if the power of ordinary workers was substantially greater than it generally is today. As such, UBI appears not as a means of strengthening worker power, but only as an outcome of it.

UBI is not the only policy that could have the effect of strengthening worker power to exit. Taylor (2017, pp.53-4), for example, suggests the state could financially assist workers with relocation or with starting new businesses. However, it ought to be clear that these policies would have even more modest impact on worker bargaining power than a UBI and so merit no further discussion here. The concept of Universal Basic Services (UBS) – in which necessities of life such as food, energy, housing and transport are provided by the public sector to all in kind – has been argued to be a more promising candidate for building durable political support around than UBI (Bastani, 2019, p.226). Be that as it may, as a strategy for enhancing worker bargaining power it would be subject to the same fundamental limitations as UBI as it would not remove the centrality of work to securing important social and economic goods for most people. And if it is to offer the same standard of living as a UBI then it would presumably cost a not dissimilar fraction of GDP to finance, so it does not entirely escape the political critique of UBI either.

A more distinct proposal is made by Thomas (2021), who argues that a Job Guarantee (JG) – by which the state would act as employer of last resort for people unable to find any other job at a living wage – would strengthen worker power to exit by ensuring that leaving a job did not result in unemployment. He also claims that workers are not dominated by employers (in a liberal-republican sense) in an economy with a JG as they always have an alternative to working for a private employer. I believe the JG does also escape some of the political critique of the costs of UBI since it is focused only on directly assisting a relatively small minority who are unemployed and does so by expanding economic production, so is to some extent self-financing. A JG is also not incompatible with the idea of fair reciprocity of productive contribution and cuts with, rather than against, the grain of popular sensibilities on the centrality of work in securing the goods of life. Arguably, it is more conducive to a long-term strategy of rebuilding class power at the workplace than is a UBI.

Despite all this – and while there are other important arguments for eliminating unemployment – any claim that it would overturn domination or involuntary subordination at work is not persuasive if we endorse the claim that workers are structurally dominated or involuntarily subordinated by being forced to work for any employer. For the jobs created in a JG scheme would be designed by the state and workers taking them would be subject to the authority of state managers. While it might make exit – in the sense of moving between

jobs – somewhat less costly than a UBI as workers would avoid the negative reputational effects of periods out of work, unlike UBI it would provide no ‘radical exit’ option from working for any employer at all.

Furthermore, JG proposals are also only intended to pay workers a fixed minimum living wage to keep costs down and to avoid replacing existing private sector jobs, but this implies that a JG job will not be an attractive option to most workers (Tcherneva, 2020). Thus, as with UBI, it does not present them with a real permanent alternative to securing important goods of life. Although full employment policies in general clearly enhance worker bargaining power, the fixed wage rate for JG jobs is explicitly designed to prevent the inflationary conflicts and profitability squeeze that historically resulted from more traditional Keynesian method of simply raising demand and employment levels throughout the economy. As such, it is designed to preserve capitalist profitability and circumvent the innate capitalist resistance to full employment policies famously identified by the Marxist economist Kalecki (1943). Therefore, whatever its other merits, a JG is not itself the solution for bringing about a radical transformation in the balance of power between workers and employers. A JG is of course only one element of Thomas’ wider project for a property-owning democracy in which ownership of productive assets would be widely dispersed among the population. However, as I outlined in chapter 1, a change in ownership by itself does not mean workers are not subordinated to the management of their firm and an alteration in some of the other inequalities in society does not mean that the question of subordination at work ceases to be an issue of normative concern.

## **6.5 Implications for state intervention**

It is now possible to take stock of the arguments of this and previous chapters and to answer the question of what forms of state intervention are necessary and justified to end involuntary subordination at work. To recapitulate, while I believe relationships of subordination are always undesirable on relational egalitarian grounds, I have not argued that where they are entered into freely they should be prohibited by the state. However, I do endorse the claim that if, due to the institutional pattern of ownership and control of resources, it is necessary for people to work for others to secure goods necessary for a socially acceptable life then such subordination cannot be considered voluntary. In this chapter, I have assessed arguments that a UBI or other measures to enhance worker power

to exit employment can so alter the balance of power between employers and workers as to make the employment relationship voluntary and concluded that they cannot. Even if UBI could be said to provide people with a genuine choice between working and not working, which is doubtful, it assuredly does not provide them with any choice between subordination at work and non-subordination.

There is no question of anyone being forced by the state to participate in democratic procedures at work. The legitimate interest in democracy at work from the perspective of social justice is whether individuals have an opportunity to take part in democratic decision-making processes at work, or whether they are involuntarily subordinated. I have argued that current economic structures effectively deny such an opportunity to the vast majority of workers, and would do so regardless of worker preferences for democracy at work, of which there is suggestive evidence of unrealised aspirations. Nor would proposals to enhance the exit rights of workers, through a UBI, or to change ownership regimes (from capitalism to socialism or property-owning democracy) have the effect of removing this structural involuntary subordination. Nor even, as set out in chapter 5, do policies aimed at promoting the voluntary formation of worker co-operatives seem likely to create an alternative economy of sufficient scale to provide workers with real options.

My view does not require the mandatory democratisation of all economic enterprises, but that workers have a reasonable opportunity for non-subordinated work. I outlined in chapter 1 that democracy in the state takes precedence over democracy in sub-state associations. This means that democracy in some organisations whose operations are of strong concern to the public as a whole will need to be limited. It is obviously the case that a democratic state would be undermined if the leadership of state security forces or its central bureaucracy were accountable to those who worked in them rather than to the elected government. And to some extent, such considerations extend to other services and enterprises where elected governments decide they have a political justification for direct control, for example publicly funded services such as education or health and natural monopolies such as public utilities or transportation. Perhaps also to industries with high capital intensity or of great strategic importance. In such cases, there would remain a strong case for governments to share power with workers and to devolve decision-making as far as

is compatible with the public interest, but this may often best take the form of co-determination rather than delegating sole control to the workforce.

Also, as I suggested in chapter 4, there are justifiable reasons to exempt some forms of mission-oriented private employers with religious, ethical, charitable or political goals from mandatory democratisation that may conflict with their core purposes. There would also seem to be good reasons to exempt businesses in which the founder or their family members personally invest the lion's share of labour, as the purposes of these businesses may be regarded as enmeshed with personal goals and family relationships. Such businesses can also be the source of new innovations and add flexibility to an economy. The most practical way of addressing these concerns may be to exempt all businesses employing only a small number of workers from requirements for democratic governance.

Even setting these limits to the democratisation of economic enterprises still leaves a large proportion of businesses that could reasonably be subject to democratisation by the state. It would comprise all medium to large scale enterprises that are primarily commercial and which do not affect any central public interest beyond what can reasonably be constrained by legal regulations. Even if not all such businesses were democratic, the democratisation of a substantial proportion of them would be sufficient to give workers a reasonable opportunity at working in non-subordinated conditions and no doubt encourage the voluntary democratisation of other forms of business. There are many possible political routes by which such democratisation could be achieved and it makes little sense from our current vantage point to speculate about how such a transition may be effected. The Meidner Plan in 1970s Sweden stands out as a proposal for how such a transition could be effected gradually, but within a generation, in a liberal democratic society (Sassoon 1997, pp.706-713). However, the precise details of how a worker-managed economy would function needs to examine the question of the most appropriate forms of ownership, for example as suggested in section 5.1, there is a case for public ownership of the assets of worker-managed firms rather than direct worker ownership.

## **Conclusion**

In this chapter, I have assessed the potential for enhancing worker power to exit the employment relationship as a means of ending the involuntary subordination of workers to

their bosses. I have concluded that it does not represent such a means. Enhancing the ability of workers to move between jobs only allows them to choose who they will be subordinated to, and UBI, the characteristic policy proposal to enhance worker power to exit, does not necessarily do much to facilitate even this. To exert meaningful leverage over employers, and to have any hope of securing the voluntary democratisation of firms, there would need to be an option for workers to leave the labour market entirely that many of them were actually willing to take up. Yet even a radical UBI that provided a minimal socially acceptable income to non-workers would not actually be an attractive option for all but a few since it would involve sacrificing many goods that could still only be obtained through work including self-respect, social esteem and connections, and widely held current and long-term economic aspirations that are embedded in any economically stratified society. Nor indeed is UBI designed to facilitate a mass withdrawal from the labour market and any such movement would undermine its financing and political consent.

Moreover, even if UBI is regarded as making work a voluntary option it still does not provide workers with as meaningful a choice as a large sector of worker-controlled firms would do. For it only allows workers to choose to be subordinated at work or to forego all the aforementioned goods of work. No doubt a UBI and democratisation of work together would provide the most choice, although the non-reciprocity of the former could still be questioned on grounds of justice. Furthermore, none of the options for enhancing worker power to exit other than UBI appear to be effective in overcoming subordination at work either, and there are good reasons to think UBI does not form part of a more effective political strategy than directly aiming to increase worker voice through organising at work.

Finally, I have connected my conclusions on the inadequacy of exit-based approaches with my theorising in earlier chapters on the economic barriers to the voluntary formation of worker-controlled firms and on the philosophical legitimacy of intervention by a liberal state in the governance arrangements of economic enterprises. This suggests that a state concerned with ending involuntary subordination at work would provide workers with reasonable opportunities to work in democratic firms through measures to compulsorily democratise many medium to large scale commercial businesses and to provide such measures of co-determination and delegated decision-making in public sector bodies and enterprises as are compatible with the public interest.



## Thesis Conclusions

By employing the methods of analytic philosophy, I have demonstrated in this thesis that there is a justification for three politically important normative propositions. Firstly, that relational egalitarians ought to be committed to democratic, collective self-management of organisations by their workers, or the elected representatives of those workers, as the default model for organising work. Secondly, that relational egalitarians can and should support state intervention directly to democratise the governance structure of many such organisations and that this involves no necessary abandonment of widely shared liberal principles. Third, that relational egalitarians should be concerned to combat attitudes and behaviours within work organisations that demean the contributions of those lower in management hierarchies, even when such organisations are subject to overall control by elected worker representatives.

I began this thesis with three connected research questions. The first of these was whether there is a *prima facie* relational egalitarian case for the democratic self-management of work. In the first chapter of this thesis, I argued that there is, as Kolodny's relational egalitarian justification of political democracy in the state ought to be extended to work organisations, at least *prima facie*. In reaching this conclusion, I examined the nature of the authority relationship workers are subject to at work. I provided reasons as to why subordination to non-democratic authority at work is intrinsically objectionable and why liberal-republican proposals to constrain the use of this authority both cannot in principle remove this objection and will also fail in their own terms in averting its potential for arbitrary use. I concluded that although democracy at work is of lesser importance than political democracy at the state level there remains a just *prima facie* claim to it.

My second question concerned whether a *prima facie* relational egalitarian case for democracy at work carries over into a normative requirement for the same, at least *pro tanto*. I assessed this question in chapters 2 and 3, where I addressed possible objections that could be made to my *prima facie* case internally to a relational egalitarian perspective. In chapter 2, I examined in more depth when the equality of respect prized by relational egalitarians requires us to treat others equally, drawing on Darwall's distinction between appraisal and recognition respect and work by social recognition theorists. I concluded that

relational equality of respect does not only legitimate representative democracy at work, but also requires us to combat rankist attitudes and behaviour that demean the contributions of persons lower in management hierarchies. I argued that the devaluation of the epistemic competencies of subordinate workers, and the lack of recognition of rankism in public discourse, also represent cases of Fricker's concept of epistemic injustice. I maintained, contrary to Fricker's position, that such injustices are socially significant even when it does not affect people who are part of a more widely disadvantaged social identity group. I outlined how democratic control of management at work, whilst not eliminating rankism, could help to counter it and that other institutional means of reducing its prevalence by reforming work organisation are worthy of further exploration.

In chapter 3, I assessed whether a relational egalitarian could object to democratic control of management by workers on the grounds workers in general lack the relevant expertise to govern economic organisations. I drew on arguments by McMahon and others on when expertise can serve to legitimate authority relationships and concluded they lack relevance to work organisations because their management involves making decisions which others are compelled to obey and are inevitably subject to normative dispute. I further argued that there is no evidence that managers appointed by firm owners are in possession of any specialised body of expertise that could not be acquired by managers elected by workers and that there are indeed reasons to believe that more inclusive deliberation processes can improve the quality of decision-making in principle.

So concluded the first part of the thesis argument that relational egalitarians ought to favour democracy at work as a normative principle. My third question, explored in part 2 of the thesis concerned whether state intervention to promote democracy at work can be justified, considering the values other than relational equality a pluralist social egalitarianism must integrate, and what forms such intervention should take. Accepting that there is a pro tanto case from relational equality for democracy at work, this required answering questions about the effects on liberty and economic and social welfare of such intervention.

In chapter 4, I argue that state intervention to require democracy in most work organisations is consistent with respecting liberal concerns with basic liberties such as freedom of association and state neutrality about the good. I show that state regulation of

the governance of work organisations is not different in kind from other regulation of instrumental associations that mainstream liberal theorists do support. I also explore various concepts of state neutrality favoured by liberal philosophers and argue that a relational egalitarian justification for state intervention is compatible with them since it involves no substantive commitment to any view of the good life. I conclude that liberal wariness of state intervention to require democracy at work seems to reflect their lack of conviction that it is what fairness and equality demands, rather than any compelling argument that these demands are trumped by the need to protect basic liberties.

In chapter 5, I assessed whether there might be any negative economic and broader social welfare consequences of worker-management of businesses that could count against policies to generalise worker-management across the economy. I identified a series of important mechanisms by which business management might affect economic and social welfare at the level of the firm and the whole economy. Drawing on a thorough examination of literature by economists and political theorists, I concluded that there were far more reasons to think that the effects of worker-management would have beneficial, rather than adverse effects. Yet such literature also indicated that such firms were unlikely to develop without substantial state intervention to promote them.

Finally, in chapter 6 I assessed arguments that enhancing worker power to exit employment, for example through a Universal Basic Income, represent a superior alternative to liberate workers from involuntary subordination at work than state-led democratisation of work. Examining the work of exit enthusiasts and their critics I concluded that there are no compelling reasons to believe that a UBI or any other proposal to enhance worker power to exit could fundamentally alter the asymmetry of bargaining power in the labour market and so transform the employment relationship into a voluntary agreement that respected worker preferences about democracy at work. Furthermore, I argued that the claim that a UBI enhances worker autonomy more than state-led democratisation of work appears reliant on a non-neutral assessment of the freedom not to work being more important than the freedom to choose to work in non-subordinated conditions.

Overall, my thesis provides a new and holistic normative justification for state intervention in favour of democracy at work, grounded in relational egalitarianism and based on engaging with multiple and varied literatures in political philosophy and economics. Writing

at this level of theoretical generality about ideal economic systems is always open to reasonable criticism that attention to particular social contexts, operational details or relevant evidence has been neglected. However, it is also a necessary means of posing, and answering, questions of normative principle that have far reaching implications for the organisation of society. If political philosophers are not going to attempt such holistic theorising then nobody else is and as an aspiring political philosophers with a professional background in economics, I felt that I was well placed to do so. I have deliberately avoided speculating in too much detail about the institutional design that will give best effect to the realisation of the normative principles I have outlined. This is because the general principles I outline can serve as normative guidelines but are not prescriptive about many matters of economic organisation which would, in any case, require more investigation than I have been able to supply here.

One implication of my thesis that deserves emphasis is that it avoids what I consider to be a false dichotomy in the philosophical literature between state policies to universally mandate worker-management across all businesses by legislation and policies designed only to indirectly facilitate the voluntary spread of worker-management, for example through tax incentives or enhancing worker power to leave their jobs. My normative analysis suggests that workers ought to have reasonable opportunities to work in democratic firms, and there is evidence many would want to do so if available. However, it not essential that all are compelled to and some businesses that operate for motives other than simply maximising shareholder return have some legitimate grounds for exemption from state regulation of governance. I also considered democratic difficulties with implementing full democratic self-management in essential state functions, which is a neglected area in the literature despite representing a significant area of employment in contemporary advanced economies.

While I have been chiefly concerned with working out the implications of the relational egalitarian perspective on democracy at work, I do not think that this means the thesis has no implications for those who would not regard themselves as relational egalitarians. In my view, many of the arguments presented for democratic self-management in the thesis and the counter arguments I have provided to commonplace philosophical objections are of relevance to a discussion of the question by egalitarians of any stripe. I particularly engaged throughout the thesis with liberal-republican critics of democratic self-management and

given our many shared interests and concerns this is a dialogue that would be worth continuing.

Many of the arguments of the thesis provide a challenge to various commonplace suppositions in contemporary liberal political philosophy. These mistaken assumptions include the following: inegalitarian hierarchies are not objectionable per se on grounds of justice; state intervention to democratise the governance arrangements of firms would violate basic liberties; workers lack the expertise to run firms and worker-managed firms are inefficient; enhancing worker power to exit employment is the best means to enhance the autonomy of workers. Other advocates of democratic self-management of work have long posited alternative suppositions to these, but there has been relatively limited dialogue between these theorists and more conventional political philosophy, particularly in recent years. I have attempted to engage seriously with potential criticisms of democratic self-management, even to the extent of theoretically reconstructing some conventional objections often regarded as too obvious to require extended discussion in the literature, for example as regards the relationship between state intervention to democratise work and worker liberty or autonomy. If at the end I consider many conventional objections to democratic self-management unwarranted, this is based on a thorough evaluation of relevant arguments and evidence.

I believe this thesis presents several possible other areas for further exploration. In critiquing many widely held but often inadequately elaborated conventional objections to my basic claims, I have lacked space for a fuller elucidation of some of the alternative relational egalitarian principles that underlie them. In particular, the account of relational equality I develop in the first two chapters calls into question all social hierarchies, not just employment relations. This has potentially more radical implications than the standard interpretation of relational equality by philosophers such as Anderson, which indeed sometimes appears to be directed against the supposed excesses of other versions of egalitarian theory. Other fruitful lines of enquiry include the relationship between my relational egalitarian account of non-subordination and radical republican accounts of domination; further philosophical elaboration of the social phenomenon of rankism and how it can be combated; and a more detailed examination of the appropriate institutional design for a worker-managed economy based on the principles I have outlined, including

the choice between direct worker ownership and collectivised ownership of worker-managed firms.

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