

On Economic Bicameralism

by

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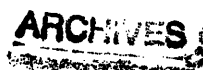
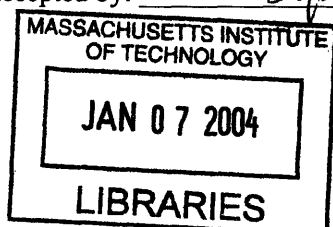
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ABSTRACT

This study contributes to normative democratic theory by exploring the relevance of the democratic ideal within the context of the capitalist economic system. It reviews the five traditional arguments for economic democracy before advancing a sixth, original argument, which both encompasses and surpasses its predecessors, based on the *political* meaning of the work experience. This provides for an understanding of the “*political rationality*” that animates workers, who, in investing their own person in the firm, experience work as an *expressive, political* experience that places them in a *public* space where their conceptions of the *just* are challenged in complying with the rules of the workplace. In the traditional capitalist shareholder firm, where workers are not entitled to take part in setting those rules, this *political* rationality also involves a normative content: an aspiration towards *democratic justice* within the context of the firm, embodied in the idea that every investor—in *person* as well as *in capital*—should have a say in the decisions that concern the organization.

Consequently, after reviewing the limits of the traditional models of the shareholder firm and the stakeholder firm, this study introduces a theory of the firm capable of reflecting the two rationalities that animate the firm: on the one hand, the traditional rationality of the capitalist firm which is *instrumental*, displayed by the shareholders (the investors *in capital*), which is tied to the quest for economic profitability, and on the other hand the *political* rationality, displayed by the workers (the investors *in person*), informed by a quest for democratic justice. The scheme of the *bicameral firm*, whose institutions are conceived in order to jointly address the quests for both economic profitability and democratic justice, is explored after the roots of the idea of economic bicameralism in socio-economic history and existing socio-economic institutions (such as Works Councils) are reviewed.

Economic bicameralism is thus an original form of governance of the firm with regards to both its philosophy and its institutions. It is founded on the recognition that two quests take place within the context of the firm, each of which is pursued primarily by one of the firm’s two major agents, capital and labor. In the structure of economic bicameralism, two chambers, one representing each group of agents, govern the firm jointly. The *Chamber of Capital* assembles the investors in capital, who value an instrumental rationality while seeking profit as their foremost objective; and the *Chamber of Labor* assembles the investors in person, who display a political rationality and are best understood as seeking democratic justice as their primary goal. While investors in capital remain the sole legal shareholders of the bicameral firm, the governance of the firm is managed by these two chambers, which occupy an equal footing and are consequently bound to cooperate in order to allow the firm to function efficiently. The collaboration hence induced between investors in capital and investors in labor enables the firm to effectively respect the aspiration towards democratic justice that infuses the work experience with the objective of economic profitability that motivates first the investors in capital.

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| | | |
|-----------|--|-----------|
| 1. | OVERTURE..... | 6 |
| 2. | THE DEMOCRATIC IDEAL AND THE ECONOMIC SPHERE..... | 9 |
| 2.1. | THE ENDEAVOR OF NORMATIVE DEMOCRATIC THEORY | 9 |
| 2.2. | THE POTENTIALLY ENDLESS DOMAIN OF THE DEMOCRATIC IDEAL..... | 10 |
| 2.3. | DEMOCRATIC GOVERNMENT AND CAPITALIST ECONOMY: CAPITALIST DEMOCRACY..... | 13 |
| 2.4. | ON METHODOLOGY | 16 |
| 3. | ARGUMENTS FOR ECONOMIC DEMOCRACY | 17 |
| 3.1. | ECONOMIC DEMOCRACY, INDUSTRIAL DEMOCRACY, WORKPLACE DEMOCRACY..... | 17 |
| 3.2. | THE WIDE RANGE OF TRADITIONAL ARGUMENTS | 19 |
| 3.3. | CONSEQUENTIALIST ARGUMENTS | 20 |
| 3.3.1. | <i>Economic efficiency</i> | 20 |
| 3.3.2. | <i>Political equality</i> | 23 |
| 3.3.3. | <i>Civic education</i> | 26 |
| 3.4. | SUBSTANTIVE ARGUMENTS FOR ECONOMIC DEMOCRACY | 29 |
| 3.4.1. | <i>Equality</i> | 30 |
| 3.4.2. | <i>Freedom</i> | 33 |
| 3.4.3. | <i>A decisive argument: the meaning of the work experience</i> | 35 |
| I. | The expressive character of work..... | 37 |
| II. | The public and political character of work | 39 |
| III. | The aspiration towards democratic justice | 42 |
| 3.5. | TO CONCLUDE..... | 48 |
| 4. | FROM THE SHAREHOLDER FIRM TO THE BICAMERAL FIRM..... | 50 |
| 4.1. | THE SHAREHOLDER FIRM AND STAKEHOLDER FIRM: DEFINED BY A UNIQUE RATIONALITY..... | 50 |
| 4.2. | THE BICAMERAL FIRM: A DOUBLE MISSION OF PROFITABILITY AND DEMOCRATIC JUSTICE | 54 |
| | Investors in capital, investors in person | 55 |
| | General table..... | 58 |

| | | |
|-----------|---|-----------|
| 5. | HISTORY AND THE IDEA OF THE BICAMERAL FIRM..... | 61 |
| 5.1. | THE HISTORICAL EXIT FROM THE PRIVATE SPHERE | 61 |
| 5.2. | WORKS COUNCILS, THE MORE ADVANCED INSTITUTIONAL STEP SO FAR | 67 |
| 6. | THE IDEA OF THE BICAMERAL FIRM..... | 72 |
| 6.1. | UNBUNDLING OWNERSHIP..... | 72 |
| 6.2. | BICAMERALISM: A HISTORICAL ANALOGY | 74 |
| 6.3. | WHAT IS IT? | 75 |
| 6.3.1. | <i>Firms primarily concerned</i> | 76 |
| 6.3.2. | <i>Capital and managers</i> | 77 |
| 6.3.3. | <i>The bicameral firm and the larger institutions of industrial relations</i> | 78 |
| 6.4. | INSTITUTIONAL DESIGN | 79 |
| 6.4.1. | <i>Inducing cooperation</i> | 79 |
| 6.4.2. | <i>Framework rules: representative democracy</i> | 80 |
| 6.4.3. | <i>Adaptative rules: Participatory democracy</i> | 83 |
| 6.5. | TO CONCLUDE..... | 85 |
| 7. | RETHINKING THE INSTITUTIONS THAT GOVERN THE FIRM..... | 87 |
| 7.1. | THE NORMATIVE ARGUMENT | 88 |
| 7.1.1. | <i>The foundations of institutions in democratic societies</i> | 88 |
| 7.1.2. | <i>Mobility and economic democracy at the firm level</i> | 90 |
| 7.2. | THE INSTRUMENTAL ARGUMENT | 92 |
| 7.3. | RE-IMAGINING UNIONS ALONG THE WAY | 92 |
| 8. | BY WAY OF CONCLUSION | 96 |
| | BIBLIOGRAPHY | 99 |

I have no doubt that many people will immediately reject the idea of extending the democratic process to business firms as foolish and unrealistic. It may therefore be helpful to recall that not long ago most people took it as a matter of self-evident good sense that the idea of applying the democratic process to the government of the nation-state was foolish and unrealistic.

Robert A. Dahl, *Democracy and its Critics* (1989 328)

1. OVERTURE

The social ontology that informs dominant social theories—from the Marxist to the liberal—takes for granted the fact that economic activity constitutes a sphere located within what is conceived as the larger private domain of the society, this sphere serving the unique purpose of producing material resources and wealth. Within capitalist societies, however, this purpose is coupled with the goal of maximizing profits for capitalists who invest their money in the enterprise. As a consequence, the economic sphere is believed to be the locus of a single, instrumental type of rationality¹.

This study takes another view: that human activity in the economic sphere is only in part instrumental but mainly expressive, that it actually takes place in a public space instead of a private domain, and that it is hence driven by another type of rationality insofar as the workers are concerned. Beyond the instrumental rationality that motivates the economic sphere, another, perhaps more crucial type of rationality animates this sphere of social action, which we will refer to as *political*.

My analysis contributes to normative democratic theory by exploring the relevance of the democratic ideal within the context of the capitalist economy (Chapter 2). Chapter 3

¹ In analytical terms, the fact that there is a broad consensus among capitalist societies that echoes such understanding of the economic sphere –as the *locus classicus* for instrumental action seeking profit maximizing- simply reflects the balance of power inside capitalist democracies.

reviews the five traditional arguments for economic democracy before advancing a sixth, original argument that encompasses its predecessors and is based on the *political* meaning of the work experience. This provides for the foundations of the political rationality that animates workers, who, in investing their own person in the firm, experience work as an *expressive, political* experience that places them in a *public* space where their conceptions of the *just* are challenged while in complying with the rules of the workplace. In the capitalist shareholder firm, where workers are not entitled to take part in forging those rules, this *political* rationality also involves a normative content: an aspiration towards *democratic justice* within the context of the firm, embodied in the idea that every investor—*in person* as well as *in capital*— should have a say in the decisions that concern the organization.

Consequently, we will introduce a theory of the firm that more accurately reflects the two rationalities, instrumental and political, of action within the firm, each of which is tied to its own quest: the first to the quest for economic profitability, the second to the quest for democratic justice. Reviewing the traditional models of the shareholder and stakeholder firms in chapter 4, we will introduce the idea of the bicameral firm, whose institutions are conceived in order to jointly address the quests of both economic profitability and democratic justice.

Chapter 5 will place the idea of the bicameral firm within its historical context in order to emphasize its social and economic foundation. While it remains a purely theoretical concept, the idea of the bicameral firm is part of what can be characterized as the

lengthy historical exit of economic activity from the private sphere, and the slow full recognition of work as *political*. Chapter 6 examines the scheme of economic bicameralism in closer detail, exploring the historical analogy and the practical institutional design of the dual chambers, one of Capital, the other of Labor. Finally, Chapter 7 reviews the justifications for pursuing economic bicameralism, advancing both normative and an instrumental arguments which establish that a truly democratic society must be willing to advance what this institutional arrangement promotes, if not this specific arrangement itself.

The fundamental normative contention that animates this study is that in democratic societies, the combination of instrumental and political rationalities, with their respective goals of efficiency and justice in economic activity, requires specific institutions of governance of the firm to enable both investors *in capital* and investors *in person* to reconcile these two (currently) competing quests, hopefully generating a more positive outcome not just for the different parties concerned, but for society as a whole. This analysis attempts to explore the conceptual components of this seeming paradox, and ends by offering a proposed institutional arrangement in order to give a practical dimension to the normative content that informs this exploration. The hope that fuels this study is to foster a debate which, at present, does not yet really exist.

2. THE DEMOCRATIC IDEAL AND THE ECONOMIC SPHERE

2.1. *The endeavor of normative democratic theory*

This study contributes to *normative democratic theory*, which is the branch of political philosophy that studies democracy. If we think of it in the terms of Lincoln's 1863 Gettysburg Address —a "government of the people, by the people, for the people"—normative democratic theory treats the issue of government "by the people" (1), i.e., the issues of power in democracy. It concerns itself with such questions as: How should power be distributed, and to whom should the power be distributed? How can the representatives handling that power be checked and controlled? How should a majority be formed, and how should minorities be respected? Normative democratic theory also deals with the issue of government "for the people" (2), attempting to define the common good that should democratic government seek. It poses such questions as: Which goods should be pursued? How should the different goods pursued be prioritized? As it cannot conceivably be imagined that any definite answer to questions of this nature exists, normative democratic theory is a body of scholarship that is constantly evolving and filled with controversy, requiring thorough investigation of circumstances, practices, and consequences, as well as constant interpretation of the values implicit in the *democratic* ideal. This study will contribute to both aspects: it will investigate the issue of (2) what is the common good - to be - pursued in the realm of the economic activities that requires the institutions of governance of the firm to be partly democratic and then, (1) it will

explore the question of how to organize such democratic decision-making in the firm as combined with its other standard of action: efficiency?

At the core of the democratic ideal lie the ideals of equality and freedom for all human beings. But the actualization of these ideals is still an ongoing process. Among Western democracies, equality before the law (formal equality) is generally well established with regards to sex and skin color, but not necessarily with regards to gender and sexual orientation. And generally speaking, even in those areas where formal equality is guaranteed to all, i.e. in the political arena, the actual effectiveness of these rights is not necessarily the rule².

2.2. The potentially endless domain of the democratic ideal

The realm of democracy, as presented by the democratic ideal, is not conceived of as limited to the political sphere. Viewing of the democratic ideal as a narrow definition of the just ways for a people, “the people”, to govern itself politically would be mistaken, for at least two reasons. Firstly, for a sociological reason: because such a conception is untenable. The political sphere *per se* is not an entity that is detached from the other realms of life and hermetically protected from the influence of what takes place elsewhere in society, nor does what occurs in the political sphere remain separate from

² In liberal democracies, despite the uniformity of their formal rights, woman and certain ethnic or sexual minorities remain generally underrepresented in elected positions and excluded from certain aspects of political life.

the other realms of life. The influences and interactions between, the processes and beliefs behind a people's self-governance and the manner in which the people act and conceive beyond the political sphere are infinite. Using Habermas' language we can say that the life world is entangled with the system(s) and there is a constant, mutual reworking of both by both, wherever one chooses to locate the political sphere. Hence, from the standpoint of the social world, democracy is potentially endless, and *in fine*, its extent is a matter of culture, power relations inside a society and history. Of course, this fact does not prevent normative democratic theorists from developing theories about what should be the proper, adequate frontiers of democratic governance, its objects and its subjects³.

Secondly, the democratic realm, as presented within the democratic ideal of "government of the people, for the people and by the people", cannot be conceived of as limited to the political sphere for a historical, practical reason. As the embodiment of the sociological phenomena just reviewed, history shows that societies are the *locus* of different, at times contradictory *ideas*. Western democracies are currently struggling to reconcile the democratic ideal with the other driving forces behind their development, the greatest of which is capitalism. While the *democratic* ideal is based on the concept of equality among a community of equals, the *capitalist* idea is based on that of self-prosperity among a community of competitors and as the market forces organize major

³ This study takes part in the dialectic created by this tension between history and normative political theory: it argues in favor of the extension of the democratic logic to the currently-capitalist firm, which in reality remains a social domain kept apart from the democratic logic, and will likely to remain so unless social actors voice this claim or start to implement it.

parts of society they may actually hamper the democratic nature of this society as a whole. Western capitalist democracies⁴ have found specific and original ways to accommodate the potentially contradicting principles at the heart of capitalism and political liberalism. Indeed, the *capitalist* idea is framed—or *embedded*, to refer to Polanyi's thesis—in different ways across the Western democracies. No single country has put the capitalist idea fully into action. And the numerous adaptations, constraints, and alterations⁵ the *capitalist* ideal has encountered speak for the fact that the *democratic* ideal does not merely regard a very narrow sphere of the political—that is, the specific functions of *government* by the people and for the people in the political sphere—but has a more fundamental relation to much larger realms of human social activity⁶.

Capitalism in a liberal framework implies that the governance of economic activities is to be left to the free consent of the economic actors involved through contracts. This means that capitalists (those investing capital) are not restrained in the exercise of their

⁴ This discussion is only concerned with the case of the economically advanced Western democracies, taken as one general context for this paper. The developing democratic countries and their economies are beyond my scope, which is limited to the stable, established democracies that are also at the forefront of the world capitalist economy.

⁵ The variations among welfare states furnish evidence of the diverse ways in which different Western democratic societies have reworked the democratic ideal. (See for instance Esping-Andersen, 1990) The varying forms of institutional arrangements that organize the link between economic actors and institutions in order to make the capitalist system sustainable and efficient also testify to that same fact. (See Hall, Peter and David Soskice. 2001)

⁶ Many thinkers disagree with this statement. Libertarianism, for instance, clearly contests this view, seeing in the "minimal state," as Nozick does, the only provision needed to order a liberal society. But the truly *democratic* nature of such a society is highly dubious. Discussing the scope of the democratic ideal's domain is, of course, one key aspect of normative democratic theory.

freedom—to use their own capital⁷. If governed solely by the capitalist ideal, the distribution of power inside the economic sphere would have capitalists ruling the economy to the extent workers consent to be hired by them. In a word, left to itself, the economic sphere is not *demos-cratic*, but *capitalis-cratic*.

2.3. *Democratic government and capitalist economy: capitalist democracy*

We must now recall that another way of speaking of Western democracies is to use the term “capitalist democracies” (Cohen and Rogers 1983). Reversing our most recent direction of cause and effect, we turn now to the influence of the *capitalist* ideal on the *democratic* one. What more, indeed, are Western democracies than a subtle alliance between economic and political liberalism, free market capitalism and democratic government, in which the *capitalist* idea temperates the *democratic* one? Using the Marxist grammar, Cohen and Rogers describe the fundamental dynamic of this alliance in the following way: “Within capitalist democracy, the satisfaction of the interests of capitalists remains a necessary though insufficient condition for the satisfaction of the interests of workers, and the welfare of workers is thus dependent on the welfare of capitalists.” (1983 146)

Today, the issue has become increasingly complex. On the one hand, capitalists argue that the “welfare of the capitalists” has actually become the “welfare of the workers,”

⁷ The key moral as well as legal building block of such a cultural arrangement is the concept of “private property,” already present in Roman law which Locke later developed in such a decisive way.

since all workers are potentially capitalists as well. More workers have indeed gained access to the capitalist class by becoming shareholders themselves—even though in reality, only a small percentage of the population of the Western capitalist democracies has actually become shareholders⁸. On the other hand capital, profiting from its increased freedom of movement following the collapse of the Bretton-Woods system in the 1960s and 70s, has multiplied its bargaining power by widening the scope of its exit options. In all Western democracies, the taxation of capital has taken part in a race to the bottom, so that today even countries like Sweden have the same tax level as the U.S. as far as capital is concerned, while the taxation of labor and earnings out of labor, far from having decreased, has generally *increased* (Lindert 2004, Swank).

The relationship between the interests of capital and labor is complicated. Some of these interests are obviously intertwined—as, to a certain extent, the welfare of both groups is mutually dependent. Even though contemporary Western capitalist democracies are tightly controlled by the state, and the economic sphere regulated by it to a certain extent, the fact remains that the economic sphere is a domain where a profound imbalance of power persists, in which those who possess capital have the final say, while those who perform the work essentially execute the will of the latter whose benefits are those that are sought to be maximized. In a more simplified way, one can say that capital possesses the initiative, and labor adapts to the will of capital. The rules that govern existence within the economic sphere are essentially designed by a capital-

⁸ The best empirical case from this point of view is that of the U.S. where a fourth of the households have tradable assets.

owning minority, while the workers that form the majority of the people who experience this existence are kept, at best, informed and capable of participating in a few specific decisions in the event institutional provisions require this⁹.

Normative democratic theory offers the opportunity to step back and reflect upon this situation, and to ask, given the profoundly intertwined fate of the *democratic* and *capitalist* ideals in Western capitalist democracies, which guiding principle a democratic society should apply to the economic sphere. This requires avoiding, for a moment, the contingent interests of capitalists, who logically push for the *capitalist* ideal to dominate the economic sphere. This move is, at the same time, a departure from classical liberal thought in the sense that the latter defines a rather strict separation between the domain of the public and the domain of the private. In classical liberal thought, the political belongs to the public domain, while the economic is part of the private domain. Classical liberal philosophy therefore does not support the idea of applying the concept of democracy, which it sees as “political” and public by nature, to the economic sphere, which it sees as private by nature. My own research (Ferrerias 2004) indicates that this distinction is mistaken and, as written earlier, this study is grounded in another postulate:

⁹ See the different institutions of collective bargaining, social consultation, and union representation, that are legally protected within the different Western democracies. The institutions provided vary considerably between countries. An example is the extreme contrast between Germany and the U.S.A. While the German institutional arrangement of *mitbestimmung* (co-determination) forces capital to negotiate with labor through its representatives at the level of the firm and other institutions force social partners to cooperate and bargain at the industry-level to the federal level, in the U.S., collective representation and bargaining is extremely weak with unions organized mainly at the corporate and industry levels and required to fight to be admitted to any bargaining process. Generally speaking, it is widely accepted that the U.S. New Deal system is no longer effective in addressing labor’s interests.

that instrumental and political rationalities are claiming the economic sphere, and their two aims: efficiency and justice need to be addressed on a same footing.

2.4. *On methodology*

This study is an exercise of normative political philosophy. It is designed in making an argument as clear-cut as possible. Therefore, against the actual density of the social world, this study will make the choice of clearness over complexity, and of course this will entail shortcuts and at times gross simplification. It can be usefully think of the figures that will be at the center of this study as *ideal-types*. Indeed the three types of firm (*Shareholders' firm*, *Stakeholders' firm* and *Bicameral firm*), their characteristics in terms of logic (rationalities) and institutional design (characteristics of the internal balance of power), are ideal-types in the sense that they are intellectual reconstructions designed to highlight their more pure characteristics, hence enabling to grasp the essence of the logics of those social forms.

This is not a treaty in sociology of work or industrial relations. Nevertheless the argument, however its normative political philosophical nature, will be placed in light of historical and social circumstances that help understanding the relevance of this work. Proceeding this way will hopefully convince of the fact that its relevance is not entirely of speculative nature.

3. ARGUMENTS FOR ECONOMIC DEMOCRACY

This study revolves around an original argument for economic democracy. In order to highlight the originality of this argument, the following chapter explores first the different arguments that have been advanced in favor of applying the *democratic* ideal to the capitalist economic sphere. Even though Western democracies are capitalist, the idea of democratic governance of the economic sphere, as well as the tentative applications this concept has known, are as old as industrial society itself. At the beginning of the 19th century, for instance, worker-owned cooperative societies, inspired by the ideas of Fourier, were being created in France. Similar arrangements were inspired at the same time by the ideas of Owen in England, and in the U.S. as well, cooperatives prospered early on in the 19th century (Mason 1982 143-149).

3.1. *Economic democracy, industrial democracy, workplace democracy*

Several divergent concepts attach to the idea of democratic governance of the economy: namely economic democracy, industrial democracy, and workplace democracy. As these different terms are often used in inconsistent ways, it seems useful to define more precisely what we are talking about and specify the factual and institutional level with which we are concerned when using them in discussion. "In a capitalist economy," write Cohen and Rogers (1982 165), "decisions over the disposition of the social surplus and

decisions about the organization of the production process are both subject to the control of capitalists. Property as control of the surplus and property as control of the production are united in such systems.” Contrasting this capitalist framework with their own views regarding democratic governance of the economy, the authors continue: “In the democratic order these two aspects are kept separate from one another. Investment decisions are subject to public debate and administration. Control over the organization of work is subject to workplace democracy.” The distinction established by Cohen and Rogers provides a useful way of slicing the debate about economic democracy, which we will follow by referring to those decisions regarding investments and the sharing of profits under the term “*industrial democracy*” (since they concern the economy as a whole, as well as the firm, as a basic unit when such decisions are taken), and to those decisions regarding the organization of production under the term “*workplace democracy*” (since these mainly concern the level of firms and any context where work is performed in the economic sphere). *Economic democracy* will be reserved as a general term encompassing both areas of analysis, and referring to all issues related to the concept of democratic governance of the capitalist economy.

This study is primarily concerned with the issue of *workplace* democracy; however, by recasting the terms and modes of investment in the firm through the concept of the bicameral firm and its two Chambers (of Capital and of Labor), *industrial democracy* is also addressed here¹⁰.

¹⁰ Tackling the issue of the appropriate institutions of governance of the firm and the economy in democracy of course does not solve all the problems related to justice inside the firm and the society more

3.2. *The wide range of traditional arguments*

From the large body of literature on the subject, five main arguments can be extracted that in one way or another justify the idea of *economic democracy*. These arguments fall into two general categories: consequentialist arguments and substantive arguments. Three consequentialist arguments exist which justify economic democracy on the respective bases of greater economic **efficiency**, greater **political equality**, and greater **civic education**. Two classical substantive arguments have also been advanced, justifying economic democracy in the name of **equality** and in the name of **freedom**. After discussing these five traditional arguments, we will introduce a final substantive argument, which we believe is the most promising, justifying economic democracy by reason of the **political** character of the work experience.

As general principles, these arguments in favor of *economic democracy* speak at a level so broad that they actually embrace the concepts of both industrial and workplace democracy. However, if one wishes to debate this issue with a minimal amount of consistency, one must more specifically define the area of focus. We will concentrate mainly on workplace democracy in specific as we review the different arguments in favor of economic democracy in general. Using this method, we will discuss the three

largely. The issue of the just repartition of hard work for instance could only be partly addressed through more democratic institutions of governance of the firm. For the most recent discussion about the just repartition of -hard- work, see (Muirhead 2004).

traditional types of consequentialist arguments in the following section, before turning to the two traditional substantive arguments.

3.3. *Consequentialist Arguments*

3.3.1. Economic efficiency

It has been argued that economic democracy provides advantages in terms of economic efficiency (Bowles and Gintis 1986 75-79, Schweickart 1993 88-136). The argument for economic democracy based on the latter's potential for greater economic efficiency has two major foundations: the advantages conferred by improved circulation of information, and the advantages conferred by improved worker motivation.

Today's economic world is marked by the need for increasing flexibility. Companies that are incapable of adapting efficiently to changing consumer demands are likely to be quickly driven out of the market. Following the global economic crisis that began in the late 1960s, the dominant business model has shifted from a mode of organization that was hierarchical, production-oriented and largely unresponsive to consumers to a model with greater ability to cope with changing markets and consumer demand. Sabel defines flexibility as the reintegration of the conception and execution of work (1994). In practice, this meant that vertical integration of the functions performed by companies, or under their supervision, increasingly became the rule for firm organization, which strove to

attain a tighter integration, across all stages of product development, from engineering to marketing¹¹.

Based on a Hayekian understanding of the crucial importance of knowledge, as well as the characteristics of its production and location, many scholars have argued that, given the need for flexibility, that the knowledge of “the man on the spot” must be more efficiently utilized. Aoki writes: “[T]he value of information is created not by management alone, but also by the participation of people on the spot, i.e. workers.” (1993 235) Though Aoki stops short of formally endorsing a democratic type of workplace governance, he argues in favor of “workers’ collective participation schemes” for the reason that “the information value created by the system of participatory information-processing represents genuine economic value (producers’ and consumers’ surplus), unavailable through either the price system or delegated central planning.” (1993 235) According to this argument, greater efficiency is achieved through empowering workers by letting them have an active hand in the conception and execution of their work—i.e. by organizing the firm’s power structure more democratically. The two dominant *post-Fordist* models of work organization are *lean production* and *high-performance work organization* (HPWO), both of which rely on the decentralization of production responsibilities. Cappelli and his colleagues note that “as the behavioral research has suggested for decades, employees like the greater autonomy and variety associated

¹¹ Interestingly, regarding to the question of economic efficiency, the larger potential in terms of flexibility of the Japanese and German industries is acknowledged as having given an advantage to the Japanese and European economies (particularly the German one) over the U.S. economy, which during the 1980s and 1990s failed to move as quickly toward a vertically integrated organizational model.

with these new work systems and seem to respond with better performance” (1997 8)
This conclusion links to the second basis of the argument for economic democracy in the name of efficiency, which resides in the formidable motivational improvement that making workers entirely part of the corporate structure would produce. Some studies have established a positive correlation between satisfaction at work and productivity, while others have documented the fact that workers’ participation in the decisions that regard them, or simply the possibility of having a say at work, makes them more satisfied (Freeman and Rogers 1999).

As democratic governance is generally thought to be less efficient than more authoritarian, centrally directed types of governance, the argument for economic democracy based on efficiency does not appear to be very strong, particularly because of the scarcity of situations in which the claim can be effectively tested. Moreover, as the non-democratically governed company is the rule in the economic sphere of Western societies, it is widely assumed that this form of organization represents the “fittest” way to organize economic activities at the basic level. Nevertheless, rejecting the analogy to Darwinian evolutionary theory inherent in this assumption, Hodgson (1996) has addressed the issue of efficiency within the democratically governed firm. Unfortunately, the number of cases in which the efficiency of workplace democracy can be tested is too small to yield any substantial result. Hodgson, who has reviewed the available data, argues that in fact we should remain skeptical about any assessment in favor or disfavor of the efficiency of workplace democracy. However, he notes that the belief that the current non-democratic model of firm organization is more efficient may simply exist

because the model is numerically dominant in reality. The predominance of this type of firm may be merely a historical accident, or the result of factors unrelated to efficiency—for instance, (and as Marx would no doubt argue) the pattern of power distribution that capitalism imposes inside the economic sphere.

3.3.2. Political equality

To be just, the basic structure of a politically liberal society, according to Rawls, “is to secure citizens’ freedom and independence, and continually to moderate tendencies that lead, over time, to greater inequalities in social status and wealth, and in the ability to exert political influence and to take advantage of available opportunities” (2001 159). Rawls perceives that differences in income and wealth may play a considerable role in the ability of respective citizens to actually exercise their political liberties. Securing the “fair value” of these political liberties is seen by Rawls as one of the fundamental institutions of a property-owning society (2001 176) and, as such, a category of primary goods (2001 168) that should be provisioned and guaranteed to every citizen by the politically liberal society . But even though Rawls states clearly that “the main institutions of a property-owning democracy [include] ... provisions for securing the fair value of the political liberties” (2001 176), he has himself avoided the specifics of such an arrangement in the context of economic activity.

Rawls' point of view is reinforced by the argument Dahl advances that economic democracy will "strengthen political equality and democracy by reducing inequalities originating in the ownership and control of firms in a system like that we now possess" (1985 4). Indeed, the U.S. furnishes a clear instance of this among liberal democracies, in that the political equality of its citizens is so greatly threatened by the impact of growing inequalities in income and wealth on power within the political sphere.

Therefore, in the context of the U.S., Dahl draws attention to the need for industrial democracy. He writes: "What about the ownership and control of the economy as a source of political inequality? Ownership and control of firms affects political inequality in two ways that are closely related but rather different. First, ownership and control contribute to the creation of great differences among citizens in wealth, income, status, skills, information, control over information and propaganda, access to political leaders ... [D]ifferences like these help in turn to generate significant inequalities among citizens in their capacities and opportunities for participating as political equals in *governing the state*." (1985 54-55)

Similarly, Cohen and Rogers' argument about the "resource constraint" is based on the idea that ownership and control of the economy constitute "the first constraint on the exercise of political rights" (1983 60). For example, they write, "both an unemployed worker and a millionaire owner of a major television station enjoy the same formal right of free speech, but their power to express and give substance to that right are radically different" (1983 51). The differences in wealth generated in the economic sphere have a

major impact on political equality. During the 18th century, the Scottish philosopher Adam Ferguson had already recognized this mechanism; his thesis was that differences in success in the context of economic activity translated into differences in power within the public sphere. He established that the accumulation of wealth created a demand for the perpetuation of the privileges that permit this accumulation. Hence, the rich(est) share a common interest and use their power in the political arena in order to ensure the protection of their own privileges.

The argument at hand here thus justifies democratic governance of the economic sphere as a crucial means of building up a democratic society, relying on the assumption that without a reduction in the inequalities that originate mainly in the economic sphere, there is no hope of seeing citizens become truly equal politically. In this context, various forms of economic democracy are reasonably expected to affect the distribution of wealth and power that emerges from the economic sphere, and in turn to make its effects less likely to distort political equality. Indeed, if employees too were to have a say in the way profits are reinvested in the firm or distributed as rewards (for example, as dividends to shareholders versus wage increases for employees), profits are likely to see a more egalitarian distribution which rewards capital over labor much less disproportionately than is the case under current capitalism and competitive financial markets. The argument for economic democracy here is based on the assumption that it would

produce a more egalitarian distribution of income¹² that would in turn level the playing field of political equality, or at least stop undermining it.

3.3.3. Civic education

Cole, the great British advocate of economic democracy, noted that “[t]he industrial system (...) is in great measure the key to the paradox of political democracy... A servile system in industry inevitably reflects itself in political servility” (1918 35). More recently, Bernard has written: “Eventually the strain of being deferential servants from nine to five diminishes an after-hours liberty and sense of civic entitlement and responsibility. Put simply, the existing hierarchy of employment relations undermines democracy” (1998 23).

The educative virtue of economic democracy is highly important. The argument in favor of it holds that the traditional workplace, as the sphere in which they spend most of their waking existence, accustoms workers to an authoritarian regime even beyond the economic sphere, while democracy requires the full exercise of citizens’ self-determination. Embedded in this argument is the idea that learning to be a good citizen is a major task that requires a constant re-working of the capabilities citizenship implies.

¹² For instance, some twenty years ago a study of American factories owned or managed by workers concluded: “In each of the cases reported here, if the worker-owned enterprises did not make wages completely uniform, they at least equalized them significantly compared with capitalist-owned firms and even with the public bureaucracy.” (Carnoy and Shearer 1980 175)

This idea was present in the thought of Rousseau and J.S. Mill, which Pateman has more recently revisited in her work in the field of normative democratic theory.

This tradition within political philosophy is concerned with the economic sphere and the experience of work for a consequentialist reason; the concern for ensuring the conditions of democratic equality is central as, it is the end for which the means constituted by economic democracy, and workplace democracy more particularly, is justified. Rousseau, Mill, and Pateman believe that the conditions of individual life play a key role in the creation of a healthy society. Commenting on her predecessor, Pateman writes that Rousseau's entire political philosophy "hinges on the individual participation of each citizen in political decision making and in his theory participation is very much more than a protective adjunct to a set of institutional arrangements; it also has a psychological effect on participants, ensuring that there is a continuing interrelationship between the working of the institutions and the psychological qualities and attitudes of individuals interacting within them"¹³ (1970 22).

But the context Rousseau had in mind was the city-state of peasant proprietors, while it was Mill and Cole who made the decisive argument for economic democracy based on its educative virtue by looking at the contemporary conditions of their urbanized, industrialized society and its economic activities. Pateman writes that "the wider implications of Mill's arguments about the importance of education are usually overlooked, yet they are of great significance for democratic theory. If such participation

¹³ Rousseau' standing on this point makes him one of the fathers of the Republican tradition in political philosophy.

in the workplace is to be possible then the authority relationship in industry would have to be transformed from the usual one of superiority-subordination (managers and men) to one of co-operation or equality with the managers (government) being elected by the whole body of employees just as representatives at the local level are elected" (1970 34).

According to Pateman (1970), participation in decision-making by the people whom the decisions affect fosters a sense of responsibility that produces a virtuous cycle. Pateman argues that the more citizens take part in debates and decisions that concern them, the more capable they become of acting in responsible ways to foster the common good, and that, in turn the more the quality of a society's democracy rises. Pateman contends that participation in the public sphere enables people to better control the course of their own lives¹⁴. This participation also means decisions will be better accepted by the individuals cooperating in their implementation. Finally, participation performs the function of integration, as it plays a crucial role in building a sense of community.

Based on these interrelated results, Pateman defends *participatory democracy* as the appropriate mode of corporate governance. To her way of thinking, the reason work is such a key environment for promoting civic involvement is double: the fact that people spend a considerable amount of time in their lives at work¹⁵, and the fact that company,

¹⁴ This part of Pateman's argument is close to the "Freedom" argument, see later Section 3.4.2.

¹⁵ Estlund (2003) makes a parallel and connected argument for a more appropriate mode of corporate governance on the basis of the fact that work is a meeting place for people with different backgrounds (in terms of gender, ethnic origin, etc.) with whom they would not normally associate. There is no other place

whose stakes are small enough to be grasped and understood, is a context of the right size to be particularly conducive of such involvement. Democracy is thus justified as a mode of corporate governance on the basis of the civic education it enables, which is in turn expected to foster a more democratic society¹⁶.

3.4. Substantive arguments for economic democracy

Let us now move on to a different type of argument. Instead of justifying a democratic system of governance of the economic sphere, at the level of the firm in particular, on the basis of its beneficial consequences, the following arguments arrive at the same conclusion for another reason: the very nature of what occurs in the economic sphere. Rather than arguments using consequentialist logic, here we encounter substantive arguments that justify economic democracy as the appropriate mode of governance of the economic sphere given the kind of experience that takes place within it.

in society that provides as much exposure to the "other" as the workplace, and this exposure usually generates an extremely successful result in terms of overcoming stereotypes and engendering cooperation beyond the traditional divisions of gender, race, etc. The educative value of work is therefore huge. Estlund, however, does not go as far as explicitly arguing for workplace democracy; she simply asks for more appropriate collective rights that would take this dimension of work into account and would seek to promote it more actively.

¹⁶ The "Psychological Support Argument" outlined by Cohen (1989 28-29) fits in this more general category. Cohen writes: "The workplace provides a context in which deliberative capacities can be developed and exercised, thus facilitating their exercise in the political arena. Exercise of these capacities in an arena that bears directly on everyday life plausibly contributes to an active character." (1989 46)

3.4.1. Equality

The principle of equality is often used to justify governance of the economic sphere according to democratic rules. The strongest advocates of this view are found within the socialist tradition. In their view, private property is theft and all human beings, whether owners of capital or not, are created equal. The capitalist system has institutionalized a huge and growing inequality between two classes of people: the few who possess capital, and the many who only possess the value of their own work. Nevertheless, ownership of capital is not the right prerequisite for determining the distribution of power within the economic sphere. To this tradition's way of thinking, the private property aspect of the means of production should be abolished and replaced by a system of public collective ownership. What is to be sought after is the equality of individuals in the economic sphere as well as in the society as a whole.

Marx's work provides for a radical argument in favor of industrial democracy, due to the abolishment of private property he envisioned as the next step in the historical fate of capitalism. However, as Mason writes, "it must be stated that his views concerning workplace democracy were not always in high relief. The major reason for this was that Marx insisted that his variety of socialism was scientific, not utopian. It was the mark of utopianism to talk about what did not exist; it was the mark of scientific inquiry to address what does exist, and what predictably would exist." (1982 139) Among the thousands of pages he wrote, Marx therefore devoted little space to explaining what the Communist society he predicted would succeed the capitalist era would look like. Nevertheless, it is

clear that the idea of equality that resides at the heart of Marx's work offers a radical basis for defending economic democracy as the proper type of governance for the economic sphere.

Three key 19-century figures of the "utopian"¹⁷ socialist movement were Charles Fourier, Robert Owen, and Louis Blanc, all of whom pushed for workplace democracy by arguing for and conceptualizing different forms of cooperatives and self-governing units in the work environment. Owen, who is the clearest advocate of workplace democracy within the socialist tradition, believed, as Mason writes, "that all should work and that work placed individuals in a common bond with each other. This bond was strengthened by uniting common distribution with social property and equal privileges. Politically this means that all members of the community have equal participatory rights and opportunities based on their mutual interest" (Mason 1982 137).

In the twentieth century, the works of Cole and Gramsci constituted the major contributions of the socialist tradition to the idea of economic democracy. Cole's "guild socialism" and Gramsci's "council socialism" are two ways of conceiving the empowerment of workers as equal partners entitled to rule the firm and the workplace. The socialist tradition as revised by Lenin, of course, gave rise to an actual political

¹⁷ This vein of socialism is disdainfully qualified as "utopian" by Marx and Engels, who regard it as dealing with a world that does not exist (and never will), as opposed to what they intend through their own work (that they label "scientific" socialism) which means to analyze the existing world, to offer explanations of its conditions, and to try to predict the ways these conditions will change— rather than conceiving the world they believe is desirable.

project that socialized the means of production, but under the dictatorship of the proletariat. Within this project, there was no question of democratic governance of the firm¹⁸, and the equality of conditions was obviously not guaranteed under the Soviet dictatorship.

However, in the socialist tradition it is still the contribution through work that is the basis for recognition and the reason that workers should have an equal say in the workplace. Private ownership of the means of production is understood as opposite to the natural equality of human beings. The argument is of little help in addressing the reality of today's society, that is, of a society made up of owners of capital, whom capitalist democracies recognize as investors in the firm, and of sellers of labor, who receive no such recognition under current and fundamentally unequal capitalist conditions. The argument for economic democracy based on the natural equality of human beings supposes that capitalism and private property must first be abolished in order to guarantee equality and implement economic democracy. It is an extremely radical argument that remains at odds with the conditions of contemporary capitalist democracies. Because it involves such a radical departure from present conditions, a "revolution" indeed, it is only minimally helpful in to analyzing the present conditions of society.

¹⁸ Throughout the history of the U.S.S.R., there had been only one well-known exception: the case of the workers' ruled factories in Yugoslavia (Pateman, 1970, 85-102 ; Sacks, 1983).

3.4.2. Freedom

A second type of substantive argument has been advanced to justify a democratic type of governance of activities within the economic sphere. The argument for economic democracy is here founded on individuals' moral, natural right to freedom.

An initial argument in support of this position is to speak in terms of distributive justice: an equal share in the decision-making that concerns the company is required for all those who are subject to the latter's authority. Dahl offers this argument by establishing a parallel between the nature of the associative link between individuals within the political community and the nature of the associative link between individuals within the firm. This argument, known as the "parallel case," requires omitting consideration of private property as a moral right (the line of reasoning that allows capitalists to make all decisions concerning their investments, and therefore, to rule the firm unopposed), and classifying property rights as merely one more type of right subject to democratic deliberation (Dahl 1985 73-83). According to this view, neglecting to give workers, as well as any person directly involved in the firm (on the basic democratic principle of one person, one vote), an equal say in corporate governance, is, in fact, a violation of the fundamental right to freedom.

Archer (1995, 1996) builds a similar argument based on the principle of equal freedom among those affected *directly* by the decisions of any association. Because a firm is an organization that exercises authority, and because only its workers are subjected to its

full direct authority, Archer argues that it is the workers, whom he calls *subjects*, and not the capitalists who should exercise control over the decisions of the firm through a democratic system of governance. Capitalists (as consumers) are *non-affected subjects* and should therefore only exercise indirect control through capital investment and stock markets.

Another similar argument advances the principle of *autonomy*. Having an equal right in the decisions that affect the corporation is here a form of actualization of the moral right to autonomy that free individuals must possess (Gould 1988, 84-85 ; Hyland 1995, 231-33). The anarchist tradition of which Proudhon was a key figure resides in this vein, which is concerned with the idea that no power should infringe on the individual's autonomy, and thus conceives of democratic governance of the workplace as an embodiment of the individual's right to participate in all decisions affecting his or her life (Mason 1982 140-142). This argument is difficult to support, as society would ultimately become ungovernable, if anyone who is potentially affected by a decision should have a say in that decision. Interdependencies are indeed so vast and far-reaching that everyone could be considered to be affected by everyone else's decision.

If the argument made in the name of freedom is pursued to its logical end, it becomes ultimately difficult to justify any subjection at all to authority because any organization will always, at some point, end up seen as violating the fundamental right to freedom. This is why the anarchist tradition for economic democracy is also rooted in this substantive argument. Furthermore, in the case of the capitalist firm, it is difficult to justify why

investors in capital should have a say at all in the firm; Archer goes so far as to think of the capitalists as mere “non-affected subjects”, while the sole real “affected subjects” are the workers. In the economic sphere, however, what is needed is an argument that can reconcile freedom and authority, for the pursuit of efficient collaboration always requires that investors *in person* comply with the rules that govern the firm and life at work. This requires an understanding of the meaning of work within the context of the capitalist firm as a place of power and authority—that is, the *political* understanding of the work experience that is discussed in the next section. This will then enable a way of dealing with the issue of freedom in a more Rousseauan manner: finding institutional ways for individuals to view themselves as the originators of the rules they must comply with.

3.4.3. A decisive argument: the meaning of the work experience

Finally, a third substantive argument for economic democracy will be made on the basis of an examination of the nature of the work experience itself. This last argument offers the most compelling case for economic democracy as it does not seek justification on the basis of either expected positive consequences (as do the consequentialist arguments) or abstract ideals about humanity (as do the two preceding substantive arguments reviewed thus far), but based on the nature of what takes place in the firm itself as a social experience. This argument is rooted in a body of survey-based sociological research that measures how employees view their participation in the firm and as well as the kind of social action that takes place in the firm—that is, the *meaning*

of work as a social experience. The understanding of the work experience thus arrived at will, in the end, allow for a more complex and comprehensive justification of the principle of economic democracy. It encompasses the previous arguments in favor of economic democracy, enabling work to become a place of equality and freedom, as well yielding more economic efficiency, political equality and civic education. Indeed, all five preceding arguments can be recast within this final argument based on the nature of the work experience.

A look at the four interrelated dimensions of the contemporary work experience is necessary to develop a better understanding of what takes place within the economic sphere. Beside the quest for profit that drives the firm, these four dimensions that define work as a social experience identify another quest that takes place in the context of the firm: the quest for *democratic justice* (Section III.) that emerges from an experience of work as *expressive* (Section I.), *public*, and *political* (Section II.). Let us now examine in turn these four dimensions¹⁹: expressive, public, political, and concerned with democratic justice.

¹⁹ This section draws on my doctoral dissertation in sociology (Ferrerias 2004). This study demonstrates the expressive, public, and political character of work, as well as the its aspirations it creates towards a participatory democratic-type of decision-making in the firm, based on a case study of supermarket cashiers in the unionized part of the retail food industry in Belgium. The significance of this case and its potential for generalization are great, as it was chosen and construed as a *critical case* (Goldthorpe and Lockwood 1968). Indeed the case of supermarket cashiers, who work in a part of the industry where unions are extremely strong, is key to the larger significance of this thesis as it constitutes a *critical case* in two major respects, the first linked to the demonstration of the expressive nature of work, and the second to its public and political nature and its internal quest for democratic justice. With regards to the first dimension, the population of cashiers at first seems to present the least favorable case for the expressive relationship to work, as it is a low-skilled, monotonous job with few prospects for

I. The expressive character of work

While action in the economic sphere is usually understood as instrumental, i.e. focused on efficiency in order to yield more profit, there is a better way of defining this action from the point of view of the people who take part in the life of the firm (the *investors in person*) as indeed not only instrumental, but overtly expressive. Recognizing the expressive character of work as a social experience enables the development of a more suitable definition of the social experience that occurs in the economic sphere as meaningful for the people who work. The overall expressive character of work has been

advancement. Through arguments and evidence supporting the idea of a primarily expressive attitude toward work, I provide a strong rebuttal to the predominant view of the human attitude towards work as fundamentally instrumental, permitting the exploration of the significance of work experience to proceed. The case is also critical with regards to the understanding of the public and political character of work, as it is a service sector job that embodies perfectly the paradigmatic characteristics of this industry, serving clients and performed in the typical context of the services industry, a physical space shared not only with co-workers but with clients as well. It is particularly significant to the demonstration of this nature of work to study a unionized part of the service industry, where those employees are protected by powerful unions and legally enabled to organize. Indeed, as a part of the economic sphere where workers have an increased potential for collective action, in theory these supermarkets should reflect a greater degree of employee organization and challenge to the management regime of governance that contradicts their aspiration to democratic justice. However, this is not the case in any of the supermarkets studied. Given the absence of fundamental contestation even in instances where workers are unionized, protected, and in disagreement with the domestic regime that directs the firm, it is consequently unlikely that a challenge to management in instances where employees are not legally enabled to have (union) representatives inside the firm would ever happen. This in turn reinforces the responsibility of society to debate the question of how work should be governed, if it is experienced in this expressive, public, and political way, since the current balance of power between investors in capital and investors in person in the firm is so greatly unfavorable to the latter. In the end the current impasse in the firm, where capitalists are in a position to exercise excessive and unjustified unilateral power, should prompt the democratic society to pass legislation concerning what it considers a more just arrangement for the governance of its firms.

established by major surveys of employees' attitudes towards work (Harpaz 1986, Juster 1986, Freeman and Rogers 1999, Bréchon and Tchernia 2002). These studies contain ample evidence that the human relation to work is not primarily instrumental –“instrumental” here meaning that the work provides a salary for living outside work, while life at work has no meaning or value in itself. Besides providing a living wage, work is indeed meaningful on a personal level. Workers unable to find or construct meaning in what they do soon lose motivation at work, as salary only comprises a small part of the reason to continue working.

This fact is confirmed all along the job scale, from low-end supermarket cashiers for whom earning a wage is only one out of five reasons for working²⁰ (Ferrerias 2004 114-129), to highly paid executives challenged by interesting responsibilities —Massaro (2003) quotes a managing partner in a New York-based executive placement firm who declares: "The novocaine of your paycheck wears off quickly if you don't enjoy what you do." For people who invest in person in the firm, work as an experience is not sustainable if the person only relates to it instrumentally. Whatever the source of meaning they find in it, their attitude towards work as an experience is more expressive than instrumental.

²⁰ Beyond its instrumental aspect as a means to an end outside work (that is, providing a salary that enables the employee to maintain a certain standard of living), in the case of supermarket cashiers work furnishes meaning in the expressive areas of social inclusion (in a group of colleagues), sense of utility, sense of autonomy, and interest of the job itself. The main division of attitudes towards work among cashiers is between the widespread *autonomous expressive attitude*, in which the content of the work performed is not central in determining meaning, and the *endogenous expressive attitude*, generally restricted to members of the supervising team, in which the content of the job is considered significant in itself.

II. The public and political character of work

Not only do a firm's investors in person relate expressively to the work experience on an individual level; this experience involves them within what can best be qualified as a *public* sphere. In such a context, work is motivated by a type of rationality that can be referred to as *political*. Hence another, political type of rationality animates the political sphere beyond the instrumental rationality that also drives this realm of social action. The political rationality concerns a person's participation in a collective entity, and her views on how the rules she is supposed to comply with have to be settled and issues of common interest and collective importance should be resolved.

Let us now look more carefully at these two dimensions of the work experience, the *public* and *political* character of work. To begin with, as far as the *public* aspect is concerned, it is key to recall that Western economies are now predominantly service economies. The service industry represents the largest sector of all advanced economies, currently providing from 65 to 70% of employment in the countries of the European Union and accounting for 70% of their GDP, as well as providing 80% of employment in the U.S. economy. The sector is, moreover, expected to grow in both size and importance. The key characteristic of work in this industry is that due to its emphasis on the satisfaction of customers' needs; it places workers in direct or indirect contact with clients. This characteristic gives a new meaning to the experience of work by changing its context of operation. It is no longer possible to think of the workplace as

a *private* sphere removed from the outside social world. Indeed, the omnipresence of the client, whether physical or not, means that the work setting is defined as a space shared not only with co-workers (as in the traditional primary and secondary industries) but with unfamiliar others, the clients. As a consequence, work, if not literally carried out in public, takes place within a *public* space.

This public aspect is closely tied to the political nature of the work experience. Not only does work take place with reference to unfamiliar people (clients) that transform the context of work; as an action oriented towards unfamiliar others in a public space, work provides ample opportunities to challenge one's own conception of what is *just* or not, and to share this conception with others (primarily colleagues). Hence daily interactions with others, both unfamiliar (as in the case of clients) and previously known (as in the case of colleagues and supervisors) result in as many experiences that fuel conceptions of what is or is not *just* at work; and conceptions of the just are commonly held to be the basic content of the political.

This political dimension of work does not entail the public character of work that is so well-established in the case of the service industry. Work in the primary and secondary sectors obviously confronts the worker with situations that he experiences as just or unjust, or challenge him in his understanding of what is just. Sociology of work and industrial relations, as well as the history of the labor movement across the industrialized world, provide many testimonies to this fact. What is significant about the contemporary service economy is that the public dimension of work reinforces the political dimension of

work to a point that makes it unavoidable, as encounters with clients in the public context of work bring about confrontations between what is considered just or unjust by workers that can no longer be understood, as were the disagreements about the just among colleagues or between masters and workers in the traditional industries, which did not actually take place in public, as belonging to the private domain.

Lastly, in order to understand the political character of work, we ought to give full consideration to the fact that flexibility overwhelmingly defines work and employment today. It is key to consider that work under conditions of organizational flexibility, at both qualitative (distribution of tasks, of career opportunities, etc.) and quantitative [distribution of both working time (internal quantitative flexibility) and working hours (external quantitative flexibility-)] levels, in fact represents an experience of fitting into a collective body (Ferrerias 2004 315-428). To illustrate this point by returning to the case of the cashiers, even a job as simple as cashier is an experience as part of a collective body, because it is defined by flexibility in both the quantitative (85% of cashiers are part-time employees) and qualitative (through the tasks they are called upon to share) dimensions. It is reasonable to make the assumption that in cases where jobs are explicitly designed to involve interaction with a larger team of co-workers, the experience of being involved in a collective can only be heightened. Indeed, contrary to what is usually assumed about flexibility –that from a social point of view, it is an overly individualizing process, as Piore wrote, “the emerging organizational model is much more fundamentally social than the organizational models of mass production. It does

not create clearly defined roles into which a person can step without compromising his or her autonomy.” (1995 73)

From this interdependence on both the practical (experiencing oneself as member of a collective) and normative (conceptions of the *just* held with reference to the arrangements of life at work) levels of working life, people who work understand that the actual arrangements inside the firm are the product of choices, and therefore of a specific distribution of power. By reason of these characteristics, the work experience can be qualified as a *political* one. In the contemporary capitalist firm, these arrangements are not made according to the workers’ conceptions of the just, but according to the will of the capitalists. Since the workers’ current experience of work is as a realm where they experiences authority and are expected to comply with rules, yet do not have a recognized role in setting those rules, work is also a place of domination and conflict, and as a result it could be said that from the point of view of the investors in person, the substantive content of their political experience of work is, more or less deeply, violated. Now we have to enter into the normative content of the political character of work.

III. The aspiration towards democratic justice

The study of cashiers showed that the experience of flexible organizational processes causes employees to construe collective responsibilities (in the case of the cashiers, primarily scheduling and task-sharing) as *common goods* that ought to be assigned and

governed by a democratic type of decision-making in which each of the persons concerned had an equal say (ensuring democratic justice), rather than the domestic management regime that currently governs these responsibilities at this level. My analysis of the case of the supermarket cashiers uncovered and contrasted the consequent conflict between the two regimes—one implemented by capitalists, the other aspired to by workers—that govern life at work. The first is the current domestic regime of governance of the firm, a hierarchical mode of organization in which each person occupies an ascribed place of dominance (if the person owns capital invested in the firm or is mandated by the capital investor to exercise authority on his behalf) or submission (if the person's investment consists of labor only), and whose efficiency operates through a system of favors and codified exchanges. Another type of regime, though obviously not implemented in reality, is favored by employees; it is what can be called a "democratic interaction political regime", that is, a regulated regime of workplace governance in which all employees are recognized as having a say in debate and decisions regarding matters of common interest (Ferreras 2004 229-235).

The significant point here is understanding that investors in person strive for a say in the ways their work is organized. This is documented by the most disparate sources, ranging, from a representative survey of the largely unionless U.S. workforce (Freeman and Rogers 1999) to an ethnography of cashiers that are part of an already unionized workforce in a European country (Ferreras 2004). The fact that workers, who are investors in person in the firm, want a say in the life of the firm, is a logical outcome of the political character of the work experience. Their being bound to the firm by contract

does not change the fact that workers, once in the firm, are subject to the norms of workplace governance that impose relations of authority on them. It is a logical consequence of the fact that workers experience work as political in nature that they ask for a role in the setting of the rules they are expected to comply with. Given the political nature of the work experience, the labor contract *per se* does indeed not preclude the validity of the democratic norm in such a context. To more specifically characterize the desire to have a say in the rules that govern the firm, we will speak of *democratic justice* to give this idea that the individuals who contribute to the firm through the investment of their own person and who, moreover, are subject to the rules of its organization should have a say in the decisions that concern this organization. *Democratic justice* stands for the fact that every person who invest herself in this endeavor should have a say, no matter its level of investment, qualification, competence, etc.

We will therefore speak of the *political rationality* of the investors as person in the firm to grasp this conjunction of facts: that the investors who invest their person (a.k.a. investors *in person*) in the firm experience work as an *expressive, political* experience that associates them in a *public* space where their conceptions about what is *just* are challenged while they have to comply with the rules of the place. But as they are not entitled to take part in forging those rules, this *political* rationality also involves a normative content: that is a claim towards *democratic justice* in the context of the firm, meaning that every investor –*in person* too, not only in capital- should have a say in the decisions that concern this organization. As just one instance of confirmation of this normative claim, the ethnographic study of Belgian unionized supermarket cashiers

(Ferreras 2004) showed that employees share this one desire: that each of the people subject to the governance of the firm have an equal say in the rules that structure this governance so that everyone could agree to –and even participate in the making of- the rules she will have to comply with.

Interestingly Walzer, approaching the problem from a completely different analytical angle, that of political philosophy rather than sociology and ethnographical research, arrives at the same conclusion regarding the governance of the firm: economic democracy is justified because of the meaning of work. In his theory of distributive justice, the distribution of the goods within a specific sphere must be made according to its meaning²¹. Walzer develops a theory of *complex equality* that examines the social meaning of specific goods for indications about distributing them fairly. As Walzer writes, "distributions are patterned in accordance with shared conceptions of what the goods are and what they are for" (1983 7); therefore, "all distributions are just or unjust relative to the social meanings of the goods at stake" (1983 9). Employees would thus be entitled to a voice not always and everywhere but, as Walzer argues, only in a society that possesses an understanding of the good in question as justifying a political voice. For Walzer, the good that is distributed through work is political power.

²¹ Walzer's argument depends upon a liberal understanding of society as made of separate social domains. I will not discuss the interest of Walzer's point about the separation of social domains from the angle of the general social theory that he builds, but limit my focus to the way he poses the debate of economic democracy once inside the economic sphere.

Critics of Walzer, such as Mayer (2001), advance the argument that Walzer fails to recognize the pluralism of political power itself as a social good, and thus violates shared understandings in his proposition of the democratic exercise of power inside firms. Mayer writes: "Given the meanings of the good, power at work should not be distributed in the same way as power in territorial associations" (2001 248). Mayer counters that "while complex equality does mandate equality of results in the distribution of voice rights in territorial associations, it cannot do so in economic enterprises. Because firms do not conscript subjects, and because our chief aim in the economic sphere is to earn money and make a living, the claim to voice is a legitimate commodity that can be traded in exchange for remuneration. Here, political power is for sale, and *bribery* in this sphere (wages for voice) does not count as an injustice or violate our shared understandings of the good" (2001 252). To this view, Walzer would reply, that political power is never for sale, since this would violate the meaning of it and the distributive rule that should consequently be applied to this good. Secondly, let us also recall that the instrumental attitude towards work that Mayer supposes here has been shown to be an invalid way of characterizing the human relationship to work. Thirdly, even though the firm does not conscript its employees, it is far from easy to argue that subjecting oneself to the employment contract in a society based on wage labor is an exercise of complete freedom²²; (besides, territorial associations do not conscript either, and that does not render the case for democratic local governance obsolete).

²² G.A. Cohen speaks of a situation of "collective unfreedom" that affects the working class "since the freedom of each [worker] is contingent on others not exercising their similarity contingent freedom, we can say that there is a great deal of unfreedom in their situation. Though each is individually free to leave, [each] suffers with the rest from (...) collective unfreedom." (Cohen 1982 11)

But our own critique of Walzer resides in the fact that in making the analogy between political association and the firm so complete, based on the fact that the good distributed in both contexts (namely, political power) is the same, Walzer finds himself in a position where he is not capable of addressing the specific nature of the economic endeavor. He ends by writing that “[w]hat democracy requires is that property should have no political currency, that it shouldn’t convert into anything like sovereignty, authoritative command, sustained control over men and woman” (1983 298), completely rejecting any entitlement of property recognized in capitalist democracies.

Now we shall progress by adding a step that causes our rationale to depart from Walzer’s: the recognition of the firm not only as a miniature political society, but as a creation established out in order to generate profits as well. Indeed, the firm represents the convergence of this *political* logic and the logic of efficiency, since it cannot be pretended that because the firm’s investors *in person* experience work as *political*, that it is all that happens in the firm. If one attempts to envision the appropriate institutions that should govern the firm based on this simplistic perspective, it would only generate similarly simplistic ideas, as biased as the idea that the only quest of the firm is ever-growing profitability –upon which indeed the current institutions of the capitalist firm, which completely disregard the political and social dimensions of the work experience, are based.

3.5. *To conclude*

We have reviewed the most common arguments for economic democracy. These arguments fell into two general categories: consequentialist arguments and substantive arguments. Three consequentialist arguments justify economic democracy on the respective bases of greater economic **efficiency**, greater **political equality**, and greater **civic education**. Two classical substantive arguments have also been advanced, justifying economic democracy in the name of **equality** and in the name of **freedom**. After discussing these five traditional arguments, a final substantive argument was introduced which constitutes the most promising one in order to justifying economic democracy: by reason of the **political** character of the work experience. This last argument offers the most compelling case for economic democracy as it does not seek justification on the basis of either expected positive consequences (as do the consequentialist arguments) or abstract ideals about humanity (as do the two preceding substantive arguments reviewed thus far), but based on the nature of what takes place in the firm itself as a social experience.

To sum up this understanding of work over which the argument is based, let us keep in mind that the contemporary experience of work is expressive, public and political, and is animated by a quest for *democratic justice*. This means that any person who contributes to the firm through the investment of his own person and who, moreover, is subject to

the rules of its organization should have a say in the decisions that concern this organization. *Democratic* justice stands for the fact that every person who invest herself in this endeavor should have a say, no matter its level of investment, qualification, competence, etc. We will refer to this understanding of work experience as to the *political rationality* of investors in person.

As a consequence, we develop the following conception of the firm: two quests, for economic profitability and democratic justice, are at the core of the capitalist firm as a social institution. After having arrived in this chapter at this *political* understanding of work, we shall now turn to the understanding of the firm from the point of view of those who invest in it financially. The next chapter will construct an appropriate theory of the firm by reviewing the way the capitalist firm is understood from the point of view of its investors *in capital*.

4. FROM THE SHAREHOLDER FIRM TO THE BICAMERAL FIRM

4.1. *The shareholder firm and stakeholder firm: Defined by a unique rationality*

Maximizing the shareholder value of firms is the golden rule of contemporary capitalism. The vast amount of literature about “corporate governance” that has appeared since the 1980s has attempted to detail the “best practices” that are supposed to produce this fruitful result. In order to ensure growth, these principles aim to resolve what is seen as firms’ major internal difficulty: the problematic relationship between owners and managers. The economic literature refers to this as the “principal-agent problem,” defining the conflict as follows: while the *principal*, the capitalist owner(s) of the firm, expects a greater return on investment in the form of maximization of shareholder value, the *agent*, who is the firm’s appointed management, aspires towards ever-greater power. However, given the two parties’ unequal access to information (“asymmetry of information”), the owners’ interest is the more likely to lose out, since only management actually possesses (the most) complete information regarding the firm, thus enabling managers to make decisions that are more likely to serve their own interest at the expense of the owners’.

Pursuing the maximization of shareholder value is a classic dogma of liberal economics, relying theoretically on the idea that the residual after contractual payments is a reward for risk due to owners. Marx, for one, opposed that view, and within the context of the contemporary debate on corporate governance, others have also attempted to

deconstruct its assumption. Their critique is that the idea that reward for risk belongs only to the financial investors derives from a simplistic concept about what the different parties bring to the firm, and therefore risk in its endeavors. Blair, a prominent advocate of a “stakeholder” view of corporate governance, argues that other stakeholders also run a very real risk as part of the firm: “[i]n any given firm there are likely to be a number of parties who have made...firm specific investments [that] are at risk in the same way equity capital is at risk...[Management] should focus on maximizing total wealth-creating potential of the firm, not just on the stake held by shareholders” (1996 13). She therefore sees the principle that equates maximization of shareholder value with maximization of the firm’s total wealth as erroneous, and proposes to broaden the conception of the firm’s ownership.

Accordingly, the traditional “shareholder value” concept of corporate governance appears to do injustice to all the different parties that have a stake in the firm (except one: the financial investors) by failing to recognize the different forms of investment that actually contribute to the firm’s value, and hence failing to acknowledge the risks that are similarly attached to those different contributions. Pursuing this line of reasoning, the “stakeholder value” conception of the firm offers the possibility of a more thorough understanding through its more heterogeneous definition of corporate “investment” and, consequently, of the risks attached to the different types of this investment. This vision of corporate governance emphasizes the maximization of total stakeholder value as opposed to simple shareholder value, and advocates expanding ownership to those various stakeholders that are ignored under the classical regime that restricts ownership

to shareholders: the directors, managers, employees, and even the customers and suppliers of the firm.

Expanding ownership to include stakeholders, at least managers and employees, should theoretically orient the firm towards maximizing its total wealth-creating potential, not merely the stake held by the shareholders. It also provides a solution to the *bête noire* of orthodox theorists, the principal-agent problem, by aligning the interests of the managerial staff with those of the financial investors²³ through making them both shareholders. Hence the current effort to turn high-level stakeholders such as firms' upper management²⁴ into shareholders, through targeted initiatives such as the direct distribution of shares, the creation of stock-option plans, and various other financial devices. Expanding ownership in this way thus meets the criterion of efficiency by maximizing the total wealth-creating potential of the firm, while incidentally fulfilling the criterion of fairness with respect to consideration of the risks taken by the different investors in the firm. The firm might then appear ideally structured, with both criteria being met concurrently.

Still, though partially resolved by the concept of expanded ownership, it is difficult to claim that the debate surrounding the nature and the governance of the firm has truly achieved closure. Why? Because expanding ownership within a traditional framework

²³ Thereby preventing what economic literature refers to as the "hold-up" problem, which arises when crucial players withhold cooperation in wealth creation if they do not take part in any gains.

²⁴ See for instance Blinder 1990, Hansmann 1996, Pendleton 2001.

perpetuates traditional assumptions about the nature of the firm at both theoretical and practical levels. The firm's mission remains theoretically construed as the place of a unique quest: the pursuit of efficiency, targeting economic gain through instrumental means. As a practical consequence, this quest for efficiency entitles managers to run the firm with a fair level of despotism²⁵. Their power now derives not merely from the shareholders, but from the stakeholders as well; however, the despotic (however "enlightened") nature of the firm's regime remains unquestioned.

In capitalist democracies this view of the firm's organization, and of its central mission: efficiency through instrumental means in order to yield economic profitability, has been widely held throughout history. The pervasiveness of this understanding of the economic –yet social- action has been powerful enough to cross the lines of natural interest. For example, it is strongly echoed in the traditional union stance against any sort of involvement with the managerial aspects of the firm, which dictated that these matters should be left to management, and that management's will in them should be obeyed by employees. Reinforcing the dichotomy between management and workers has historically been understood within the labor movement as the safest way to perpetuate

²⁵ Of course the scope of this despotism, enlightened or not, will depend on the legal framework in which firms operate. capitalist regimes vary widely in terms of their industrial relations systems and the workers' entitlements that define them. Between the nearly union-free business environment in the United States and the German *Mitbestimmung* of work councils with strong powers within firms that employ five or more employees, a broad continuum exists with respect to the degree of autocracy exercised by corporate management among established capitalist democracies.

consciousness of the opposite interests of the capitalist and working classes²⁶. However, this stance gave rise to another consequence as well: it reinforced the assumption that economic action is rightly the realm of efficiency through instrumental means. By not asserting a right to participate in strategic and organizational (or, in the terms of economic literature, “managerial”) decisions regarding the firm, the labor movement would long deprive itself of a powerful line of argument against capitalist domination of the economic sphere: the question of the nature of the life in the firm²⁷.

4.2. *The bicameral firm: A double mission of profitability and democratic justice*

This study contends, firstly, that an understanding of the firm’s purpose as restricted to the pursuit of economic profits targeted through an instrumental rationality is deeply flawed; and, secondly, that the procedures for corporate governance that consequently derive from this understanding are responsible for undesirable results in terms of both efficiency and fairness. Contrary to the idea that the quest for efficiency is the unique

²⁶ Note that, in contrast to the conclusion reached by liberal economic theorists regarding the principal-agent problem, unions have generally considered management as a mere proxy for the owners, that is, motivated by and pursuing perfectly identical interests.

²⁷ This account refers specifically to the evolution in Europe of this stance, which in the U.S. is called adversarialism. Nevertheless, a comparatively more favorable view of capitalists in the U.S. led to the same eventual stance entrusting management with decisions regarding firm organization and strategy. Rogers recalls, as testimony to this position, George Meany’s words freshly elected first President of the AFL-CIO in 1955: “Those matters that do not touch a worker directly, a union cannot and will not challenge. These may include investment policy, a decision to make a new product, a desire to erect a new plant so as to be closer to expanding markets, etc. ... [Only] where management decisions affect a worker directly, [will] a union... intervene.” (Rogers 1995 376)

activity of the economic sphere, another quest, and its accompanying rationality, indeed occurs there—a quest for *democratic justice* via an experience of work that is better characterized as of *political* nature (see Chapter 3. section 3.4.3.). In addition to its economic motivations, the workers' action in the economic sphere is driven by another, *political* type of rationality.

Investors in capital, investors in person

It is reasonable to draw a line between two categories of actors, capitalists and workers, who hold one of the two ideals as their defining type of rationality. One could also call them *investors in capital* and *investors in person* to highlight the ultimate motivations behind the rationality upheld by each. Investors in capital are logically more interested in the profits generated by the firm than in anything else, in order to have a means of gauging the profitability of their investment in the firm. Since they run a financial risk in investing, the profitability of their investment is their primary goal. They are not generally involved on a personal basis with the firm's everyday operations, and often have very little awareness of the actual circumstances of the firm. On the other side, the people who are "invested" in the firm as on a *personal* level develop a different attitude towards it; their rationality is not instrumental but *political*, and their overall motivation is better defined in terms of *democratic justice* than in terms of the maximization of economic profitability.

Managers arguably constitute a category of *investors in person* who occupy an unclear position. As the economic literature has reflected about the problem to make sure management would endorse the investors in capital's interest –the principal-agent problem-, investors in capital have probably even more care about this stake. Many devices have been implemented to make sure management would behave the same way as investors in capital do, by adopting their instrumental rationality and seeking ever-growing profitability benefiting to shareholders first. Hence, the upper-management's remuneration structure has been redesigned in order to give them incentives to align their interests with those of the capitalist investors. But managers are also involved as persons in the everyday life of the firm. This not only put them in touch with the employees' political rationality, which they may in turn be affected by and sympathize with, but means that they are exposed themselves to the same conditions as the employees in the public realm of the firm, and are thus more likely to develop a similar kind of political rationality to employees.

As managers in the firm become increasingly involved with the pursuit of economic profitability, it is likely that the primary purpose of work is redefined as a double endeavor with a mixed instrumental and political rationality. However, even if the balance of power within the firm enables investors in capital to secure the priority of their objective by enabling the management to rally to their quest, it is unlikely that the political rationality would dissolve completely as work will remain a place where investors in person relate to one another in a *political way* and rules will always have to be devised and workers to comply with them and management to make them obey, and to comply

with them as well. Understanding the *political* character of the economic action enables to comprehend why issues of power are so central to the economic realm, even if they are usually ignored or not described in those terms, given the dominance of the view of economic action as purely instrumental in rationality²⁸.

What justifies an equal consideration of the second type or rationality, and conjoint quest, that lies at the heart of the firm? Two arguments can be raised: a theoretical, normative argument related to the nature of democratic society, and a practical argument in terms of efficiency, the other defining purpose of economic action.

First of all, from the perspective of justice, it is crucial that in a democratic society, people's public and political experience, which moreover is animated by an aspiration towards democratic justice, be governed along democratic lines. This becomes the basis of a normative argument for economic democracy at the level of the firm.

On the other hand, from the point of view of efficiency, the other interest that drives the economic sphere, it behooves the firm to understand the type of phenomenon that actually takes place and constitutes it in order to devise efficient instruments of governance. Indeed, for the sake of efficiency, the governing institutions of a firm must be closely adapted to the type of facts they govern, particularly in an economic era

²⁸ Moreover, it is precisely the failure to recognize the political character of the economic endeavor that makes issues of justice so difficult to introduce in debates that regard the economic sphere.

characterized by flexibility (Sabel 1994). This, as it is going to unfold, is the basis of a practical, pro-efficiency argument for economic democracy at the level of the firm.

The table that follows summarizes the core elements of this study:

General table

| |
|--|
| SOCIETAL CONTEXT: |
| Capitalist democracy a liberal democracy that secures private property and the accumulation of wealth in a legal framework more or less politically (=democratically) deliberated |
| RATIONALE OF THE CAPITALIST FIRM |
| As a consequence of the central quest for efficiency, control over investments has to be granted to risk-takers (principle of the private property) & dividends are reward for risk <i>[the shareholder firm]</i> |

| | | |
|--|---|--|
| Two main quests take place as/inside a firm: | ECONOMIC PROFIT | DEMOCRATIC JUSTICE |
| Ideal | Maximization of the wealth-creating potential of the firm in order to yield ever-growing profits | Democratic justice: every investor – <i>in person</i> too, not only <i>in capital</i> - should have a say in the decisions that concern this organization |
| Principal actor who bear this quest | Capitalists (also called: “ <i>investors in capital</i> ”) | Employees (also called: “ <i>investors in person</i> ”) |
| Type of rationality, as guiding principle of the actor’s behavior: | <i>Instrumental rationality</i> , that is: focus on efficiency of the means to reach the end of the maximization of profits | <i>Political rationality</i> : animates investors who as investing their own person in the firm experience work as an <i>expressive, political</i> experience that associates them in a <i>public</i> space where their conceptions about what is <i>just</i> are challenged while they have to comply with the rules of the place. But as they are not entitled to take part in forging those rules, this <i>political</i> rationality also involves a normative content: that is a claim towards <i>democratic justice</i> in the context of the firm. |

| | | |
|---|---|--|
| The firm is construed as the place of: | A unique rationality: <i>instrumental</i> | Two rationalities: <i>instrumental</i> and <i>political</i> |
| Program relies on (as the critique of the dominant model of maximization of the shareholder value): | Recognizing the heterogeneity of investments that contribute to the firm | Recognizing the heterogeneity of investments that contribute to the firm + Resolving the divergences (of interests, etc.) through an inclusive democratic process among all parties recognized as investors |
| Model of Governance: | [the stakeholder firm] | [the bicameral firm] |
| => Structure of governance: | The structures of the firm remain exactly the same as in the traditional shareholder model. | Two chambers govern the firm conjointly: - <i>Chamber of Capital</i> , representing investors in capital (giving priority to instrumental rationality) - <i>Chamber of Labor</i> , representing investors in person (giving priority to political rationality) |
| => Ownership: | Granted to all those who run a risk (new concept of “investor”) | From a legal point of view, investors in capital are the owners of the capital they invested, therefore they remain the sole legal shareholders (of course, employees can buy shares as well). |
| => Control: | Since the firm’s mission remains defined as the traditional place of efficiency by means of an instrumental rationality, all decision-making power is delegated to those capable of making the most efficient decisions: the board of directors (for issues of investment and general strategy) and CEOs and managers (for issues of actual daily management). Sometimes, a small portion of decision-making power is delegated to workers’ committees as required in the pursuit for efficiency. | As investors in person have a recognized right to participate in the decision-making processes of the firm which derives from the fact that they contribute to the firm just as investors in capital do, and develop a political rationality towards this social experience that implies them to comply with rules that they should be able to shape as well, both Chambers must agree on the decisions that concern the firm. |

Leaning on this discussion, the next step in contributing to normative democratic theory is thus to picture a blueprint for institutions of governance of the firm that would meet conjointly the investors *in person's* aspiration to democratic justice and the investors *in capital's* quest for profitability. Which institutional arrangement could engender a just and efficient compromise between those two quests? Before turning to such endeavor in chapter 6, next chapter will show that the idea of the *Bicameral firm* is not a pure theoretical abstraction but on the contrary, that it fits into the struggles that animate the socio-economical history of the capitalist democracies.

5. HISTORY AND THE IDEA OF THE BICAMERAL FIRM

The three models of firm ownership described in chapter 4 (shareholder, stakeholder, and bicameral) are ideal types. Their characteristic differences have been deliberately emphasized in order to heighten the contrast between the three models of corporate governance and highlight the manner in which each distributes power among the firm's different constituents. However, this approach did not enable the reader to place the idea of the bicameral firm within the historical context of the economic sphere's progressive passage from domesticity into the public realm. We will therefore now briefly review the historical roots of the bicameral firm.

5.1. The historical exit from the private sphere

Various institutional arrangements exist to govern the economy in capitalist democracies. In most industrially advanced countries, some form of collective representation for employees has existed since the 19th century. Indeed workers' movements and workers' organizations such as political parties and unions have developed since the first stages of industrialization. State power, in alliance with capitalists, struggled to contain their growing influence among the ever-increasing population of wage laborers, and attempted to hamper workers' ability to organize by erecting an unfavorable legal framework. Even so, by the early 20th century all the

Western industrialized countries know some sort of organization of the workers. The ideological influence and organizational capacity of the workers' movements grew to such importance that in October 1917, the existing imperial power governing the Russian state was overthrown by the Bolshevik revolution. For most of the 20th century, until the fall of the Berlin wall in November 1989, Communist ideology would play a key role in the ideological balance of the world.

Communism can be seen as one extreme expression of the workers' struggle to gain power over the governance of their life –and (economic life in particular through the abolition of the principle of the private ownership of the means of production. But it is key to recall that, although some have interpreted Marx as stressing the necessity for workers to gain autonomy and control over their work²⁹ (Elliott 1987; Elster 1985, 1986; Rubin 1990), in the countries where it came to effective power the Communist project employed the same type of industrial organization as its capitalist competitors. Lenin's regime provides a particularly unmistakable example of such adherence to the then capitalist mode of organization. Private property was abolished with the revolution, but the firms, now collectively and publicly owned, were administrated by Bolshevik authorities, and the repartition of power within firms did not change fundamentally in comparison to the capitalist case: workers remained mere executants without a

²⁹ Marx writes: "Under the presupposition of private property my individuality is externalized to the point where I hate this activity and where it is a torment to me. Rather it is then only the semblance of an activity, only a forced activity, imposed upon me only by external and accidental necessity and not by an internal and determined necessity... My labor, therefore, is manifested as the objective, sensuous, perceptible, and indubitable expression of my self-loss and my powerlessness." Cited by Perlman xv in Rubin 1990.

recognized legitimate stake in the firm. Russian Communist leaders admired Taylor's scientific principles of work organization and they replicated his hierarchical scheme for the division of labor in the factories of the Soviet empire while capitalist shareholders were just replaced by Bolshevik administrators. The revolution's commitment to equality faded in the face of the necessity of guaranteeing the economic victory of the revolution. Lenin asked the workers to accept Taylorism and to unquestioningly obey the will of their appointed leaders in their industries. Hence the sole difference from capitalism was that the managers were no longer appointed by the capitalist owners, but by the Bolshevik leaders³⁰.

While the repartition of power inside firms was more or less equally undemocratic under both capitalist and communist regimes, the most significant historical transformation of work since the first industrial revolution was underway. Indeed, since the first half of the 19th century, industrialized nations have experienced the withdrawal of work as a social activity from first the domestic and then the private sphere, and its advent in the public realm.

³⁰ As a side note to this discussion, it is worth noting that Yugoslavia constituted a famous exception within the Communist bloc. The Yugoslavian economy's industrial structure was indeed defined by worker participation, since each industrial enterprise was managed by an elected Workers' Council, also providing a certain degree of autonomy to the different "economic units" inside the firm. The Council elected its executive body, the Managing Board, and its Director, who were responsible for the direction and day-to-day administration of the enterprise and the execution of the Council's decisions. In terms of economic success and efficiency, Pateman writes that "it does seem fairly clear that even if the economic expansion cannot be said to be a direct result of the system, at least it has not, up to the present, acted as a particular hindrance to economic expansion and efficiency" (1970 91).

The first stage of this shift, the *withdrawal from domesticity*, was identified by Marx and Weber as pre-dating the 19th-century industrial revolution, but was fully realized with the progress of industrialization. It consisted of the relocation of work activities from the household to the workshop, and then to the factory. We can speak of a historical *disembedding* of work from the private sphere, it also correlates, in 18th-century social thought, with Smith's identification of the market as the key institutional provider of social regulation, proposing a somewhat more plausible basis for human society and organization than the tradition of the social contract. Still, despite its spatial exit from the realm of domesticity, at this historical stage work continued to be seen as an activity conducted within an enlarged and renewed version of the private sphere, now idealized, in Constant's terms, as the realm of freedom enjoyed by the "Moderns."

By the end of the 19th century, the governments of all industrialized nations were under intense pressure to acknowledge workers' organizations, political parties, and unions, and to recognize their role in economic life. Thus each nation, at its own pace, recognized the workers' right to form unions, and their extended rights to collective bargaining at the firm, industry, and national levels. The two world wars of the 20th century were key to shaping this balance of power, by additionally guaranteeing a certain extent of decommodification of work through the setting up of national systems of industrial relations and welfare.

At the global level, the first major historical step for the labor movement was the recognition of the work experience as belonging to the arena of human rights, and

constituting a fundamental instance for the preservation of human dignity. This led to the foundation of the International Labor Organization (I.L.O.)³¹ in 1919 during the peace conference that ended the First World War³².

Three motives drove this international effort. The initial motive was humanitarian; the condition of the workers, who were being exploited with no consideration for their health, personal lives or professional advancement, had become unacceptable to public opinions in industrialized nations. This preoccupation appears clearly in the Preamble of the Constitution of the I.L.O, which refers to "conditions of labor...involving... injustice, hardship and privation to large numbers of people". The second motive was political: without an improvement in their condition, the workers, whose numbers continued to

³¹ The Preamble of the Constitution of the I.L.O. reads: "Whereas *universal and lasting peace can be established only if it is based upon social justice*; And whereas conditions of labour exist involving such injustice, hardship, and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperiled; and an improvement of those conditions is urgently required; as, for example, by the regulation of the hours of work including the establishment of a maximum working day and week, the regulation of the labour supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of equal remuneration for work of equal value, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures; Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries; The High Contracting Parties, moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world, and with a view to attaining the objectives set forth in this Preamble, agree to the following Constitution of the International Labour Organization."

³² The need for such an organization had already been advocated by two 19th-century industrialists, the Welsh Robert Owen (1771-1853) and the French Daniel Legrand (1783-1859). After being put to the test by the International Association for Labour Legislation, founded in Basel in 1901, their ideas were incorporated into the Constitution of the I.L.O.

swell as a result of industrialization, posed the threat of social unrest, and even of revolution. The Preamble notes that injustice produces "unrest so great that the peace and harmony of the world are imperiled." The third motive was economic: because of its inevitable effect on the cost of production, in the absence of a fairer and common playing field, any industry or country adopting social reform would find itself at a disadvantage *vis-à-vis* its competitors. The Preamble states: "the failure of any nation to adopt humane conditions of labor is an obstacle in the way of other nations which desire to improve the conditions in their own countries."

Though a step toward the decommodification of work, the recognition of workers' rights to decent working conditions and collective bargaining did not extend to the recognition of the worker's participation in the firm as non-capitalist investors in *person* rather than traditional investors in *capital*.

The more recent stage in the process through which work departs the private sphere more completely is currently underway in Western service economies and it still only takes place only at the level individuals experience work. As we analyze the work experience as *public* and *political*, it can be said that the work experience is becoming incorporated into the broader public sphere. An understanding of this phenomenon requires a definition of the *public sphere* as both *non-topographical* and *unrestricted in content*³³. The *non-topographical* concept of the public sphere defines the *public* as not limited to the areas, such as the media and advocacy groups, identified by specific

³³ This concept of the public sphere is based on a discussion of Habermas (Ferreras 2004 Chapter 5).

institutional frameworks as forums for “public” debate; the concept of the public sphere which is *unrestricted in content* defines the public sphere as admitting no limitations or specifications of the content of the discussions that occur in it regarding issues of importance to all or which are considered explicitly as a public matter. From the employee perspective, the experience of work occurs in a public space that is part of the larger public sphere and it is a paradigmatic feature of the service industry that provide for 70 to 80% of the employment in the North American and European economies. The historical exit of work from domesticity and the private sphere has laid the groundwork for the definition of the work experience as *political*. (see Chapter 3, Section 3.4.3.)

Under capitalist regime, the institution that constitutes the greater recognition of the *political* nature of the work experience is the works council, which not only guarantees a certain sense of dignity of the workers by recognizing them as legitimate members of the firm, but functions as an instrument which workers can use to “weigh in” on their working conditions and exercise some control over the (thus far) authoritarian regime of power in both the workplace and the firm in general. Let us turn to examine this more closely.

5.2. *Works councils, the more advanced institutional step so far*

The degree of worker participation in firm management varies widely across capitalist democracies. It would be possible to classify the main models of firm’s governance into different categories across a spectrum that extends from the union-free U.S. model, through firm-centered Japanese corporatism, economy- and industry-centered Belgian

corporatism (coordinated social bargaining) and the German system of codetermination, to cooperatives (worker-owned firms). This spectrum would highlight how these different institutional forms embody different concepts of the ultimate nature of work, ranging from the idea of the firm as part of the private sphere to the idea of the firm as part of the public sphere; from the concept of the owners of the means of production as sole investors to the concept of contributors to the enterprise as investors of various kinds; from a view of employees' work as instrumental to a view of it as more expressive; from a unilateral conception of efficiency to a pluralistic conception of the goals pursued by the firm... Despite the major variations along this spectrum, we would see that in capitalist democracies the governance of work remains institutionally structured as a private matter uniquely oriented toward the pursuit of efficiency, and labor then is a means of production acquired by the firm, like other instruments, through contracts which focus on the sole legitimate quest for profitability.

The institution of the *works council*, found in many advanced capitalist democracies, currently offers at the level of the firm the most advanced example of recognition of workers as investors *in person*, and as such granting labor some input into the final definition of the firm's mission –this input being more or less substantial depending on the different national situations. In the most recent volume devoted to the study of works councils in an international comparative perspective, Rogers and Streeck define works councils as “institutionalized bodies for representative communication between a single employer (*management*) and the employees (*workforce*) of a single plant or enterprise (*workplace*)” (1995 6) Works councils are defined according to eight criteria: (1) They

represent all workers in their area of jurisdiction, independently of their union membership³⁴. (2) Their area of jurisdiction is a specific plant or firm, not an industrial sector or territorial area. (3) They are not “company unions”, but an elected representative body for all workers employed in that plant or firm. (4) They are a collective organ. (5) They enable communication between employers and their workforces. (6) This communication may be of all possible kinds and is generally defined by law and/or internal regulation. The area of discussion can be information sharing, consultation, or real negotiation (as in the German case of codetermination, where the council has a veto right on certain matters). (7) Works council structures vary fundamentally across and within countries, and depend mainly on legal regulations. (8) Works councils differ from worker representation at the level of corporate boards of directors, which is also a legal requirement in certain countries, most notably Germany.

The country which is most progressive in terms of recognizing workers as stakeholders in the firm is arguably Germany, where any firm with five or more employees is legally required to set up a works council. The works council assembles employees elected by their co-workers to address a series of matters defined by the law. They have what is

³⁴ A crucial feature of works councils as institutions is that they represent all employees in a firm, independently of whether these are members of a union or not. This speaks for the fact that works councils are generally situated within a specific system of industrial relations and institutions of governance of work, as in the European case, that provides for a dual system of worker representation. In the European countries, where unions also have access to negotiations with employers and are entitled to negotiate collective agreements, workers’ delegates elected to the works council are often members of unions but, because of this affiliation, not members of the council itself. Rogers and Streeck write that “in the typical European case, councils are in this way enmeshed in a complex triangular relationship with what are often called the *external* and the *internal* unions.” (1995i 6)

referred to as “*codetermination*” rights—which are, in fact, a power of veto—on “social matters,” i.e., matters related to remuneration (principles, new modes of payment, bonus rates, performance-related pay), working time (allocation of working hours, overtime, reduction, vacations), and measurement of workers performance, and personnel matters (recruitment methods, transfers, promotions and demotions, dismissals). German works councils also have *information and consultation rights* over personnel planning and over changes in the production process and the work environment (plus full rights of codetermination in cases where changes are “proven to be a special burden for the employees”), and *information rights* on financial matters and any planned changes that “may entail substantial prejudice to staff interests.” Works councils also possess a great deal of power in the domain of health and safety issues, with a wide array of codetermination, information and consultation rights (Müller-Jentsch 1995 58-59).

In addition to the institution of the works council, the German codetermination system requires by law that any firm with more than 500 employees reserve seats for labor on its board of directors. However, this situation varies widely across firms and industries³⁵.

³⁵ “There are three different forms of representation at the board level in Germany: (1) equal representation in the coal and steel industry (*Montanmitbestimmung*) under legislation from 1951, (2) subparity representation in companies with more than 2,000 employees under the Co-determination Act of 1976, and (3) one-third representation in companies with 500 to 2,000 employees under the Works Constitution Act of 1952. For the unions *Montanmitbestimmung* is the most important model of co-determination since it provides for full parity and uncontested union representation on the supervisory board. Also, one member of the executive board, the ‘labor director’, is appointed solely by the supervisory board representatives of the employees. But coal and steel is a declining sector with no more than 30 companies and fewer than half a million employees. Subparity representation covers more than 500 companies with a total of about 4.5 million employees. It remains below full parity even though 50 percent of the supervisory board members are workforce representatives; this is because the chair, who is

As Müller-Jentsch writes, “representation on the supervisory boards of large companies has mainly a supportive and supplementary function for the works council... Being represented on the supervisory board enables the works councils of large companies to get more reliable information about economic matters and the firm’s strategic goals.” (1995 60)

The German system of corporate governance is widely recognized as the most progressive in terms of its recognition of labor’s contribution to the firm. But as becomes obvious when detailing the powers granted to employee representatives in works councils and, in cases where the firm employs more than 500 workers, to employee representatives in the firm’s board of directors, these institutional arrangements fall far short of complete recognition of the employees as *investors in person*. They do, however, constitute the latest major step at the level of the firm’s institutions towards enabling workers to engage as participants in a deliberative process of corporate governance. Let us now attempt to imagine what such institutions would look like, if capitalist democracies were to truly take the dual nature of the firm into account, balancing its quest for efficiency and profitability with its quest for polity building and democratic justice that lies in the recognition of the *political* nature of work.

appointed by the shareholders, has a casting vote, and at least one employee representative must be elected from among *leitende Angestellte**. The third form of representation is the weakest and covers roughly 1,400 companies with about one million employees.” (Müller-Jentsch 1995 60) **Leitende Angestellte* are senior executives, executive staff exercising employers’ functions.

6. THE IDEA OF THE BICAMERAL FIRM

The next step is thus to conceive institutions of governance of the firm that not only recognize the variety of heterogenous investments that sustain the firm, but also resolve the differences among all parties recognized as investors through an inclusive democratic process of polity building –because this would reflect properly the nature of the relationships taking place in the firm. Meeting these aims should constitute a reply to what constitute the firm’s greatest challenge: equally fulfilling its two fundamental quests of profitability and efficiency on the one hand, and polity and democratic justice on the other. Pursuing both goals at the same time requires institutions to enable, deliberation about the trade-offs between efficiency and democratic justice, and fair bargaining between the two while the process itself should be adequate to the nature of the investors' relation to the firm.

6.1. *Unbundling ownership*

There are two main kinds of decision that take place in the capitalist economic sphere: decisions regarding the destination of capital (such as investments, savings, etc.), and decisions that are concerned with the organization of production (once the decision of investment has been made). In a capitalist democracy, capitalists make both types of decision (Cohen and Rogers 1982 165). The argument for economic bicameralism that

will be made now requires the “*unbundl[ing]* of ownership” (Cohen 1989 49). This means that the freedom of capitalists to decide where to invest in capital is recognized, as is the freedom of workers to invest in person in whatever firm is ready to employ them. But once such a decision is made, investors in person are granted the right to participate in the decision-making processes of the firm due to the fact that they contribute to it as does any investor in capital, and that they experience their work experience as *political*. Hence, the decisions regarding the firm, and its organization of work in particular, are not the responsibility of capitalists only, but a common responsibility held by both capitalists and employees, recognized respectively as investors in capital and investors in person.

While the philosophy of the bicameral firm would probably require to speak of *collective ownership* (Cohen 1989 50) of the firm, from a strictly legal point of view, investors in capital remain the owners of the capital they invested; therefore, they remain the ones who own a right to a share of any surplus generated by the firm. The eventual content of these shares remains their owners’ private property. In case shares exist, employees can also buy shares, as anyone else may. Already in the shareholder firm, the owners of shares are constrained by a legal framework in their freedom to make use of their private property (capital). The law indeed constrain them and they cannot do whatever they please them with those shares and the firm. In the case of the bicameral firm, the constraints on the freedom of capitalists are redefined in order to take into account the investments made *in person* by another group of investors. The size of the dividend for shares drawn from the firm’s profits will be discussed in the institutions of the bicameral firm where, now, investors in person also have their say.

6.2. *Bicameralism: A historical analogy*

In comparative perspective, the situation of the firm as it stands today, whatever the legal provisions for workers' involvement in the decision-making boards of the firm, resembles the kingdom of Great Britain when it was governed by a land-owning aristocracy and their king. Britain's Glorious Revolution of 1688 was a compromise made by King William of Orange that accommodated the increasing "democratic" demands of the people while maintaining aristocratic domination of society. The aristocracy, united by common interests, constituted a coherent body that was recognized as the House of Lords, while the people were granted the right to elect representatives to send to the House of Commons. The two Chambers had to reach agreement in order to take decisions that the King would enforce.

Just as in the British bicameral system of government, today again the proposition of the bicameral firm reflects a compromise between two major social forces, capital and labor, which are animated by two different quests. Also, just as King William himself had to make the executive decision founding the two houses, in the context of today's democratic society it will fall to a country's sovereign body of elected representatives (Parliament, Congress, etc.) to legislate the issue –except if investors in capital would want to share power spontaneously but this looks highly unlikely.

6.3. *What is it?*

Economic bicameralism is a new form of governance of the firm with regards to both its philosophy and its institutions. It stems from the recognition that two quests motivate the firm: profitability and democratic justice. Each of these quests is pursued by one of the firm's two major agents: the investors in capital (here also referred as capital) and the investors in person (here also referred as labor). Also, two chambers representing these two groups of agents govern the firm jointly: the Chamber of Capital assembles the investors in capital, who value an instrumental rationality while seeking profits foremost; and the Chamber of Labor assembles the investors in person, who display a political rationality and seek democratic justice foremost. The organization of the firm is managed by these two chambers who sit on an equal footing and hold shared responsibilities in the firm. The collaboration hence induced between investors in capital and investors in labor enables the firm to effectively combine the objective of **democratic justice** at the heart of the work experience with the objective of **profitability** that motivates investors in capital.

The institutional arrangement of the bicameral firm recognizes the heterogeneous variety of investments that sustain the firm while simultaneously aiming to resolve differences of interest through an inclusive democratic deliberative process among all parties recognized as investors. While both Chambers have to agree on the decisions that concern the firm, they can also decide to delegate their power to managers and other persons for that matter.

6.3.1. Firms primarily concerned

From a theoretical point of view, there is no reason to restrict the application of the idea of the *bicameral firm*, since all firms are made up of both investors in persons and in capital, unless one could prove that investors in person do not develop a political rationality at work, are not subject to rules they are expected to comply with and hence do not aspire to have a say in those arrangements for seeking democratic justice at work. The ideal of the stakeholder firm would then be a satisfying one: extend the recognition of investors to all who invest in the firm (investors in person as well as in capital), and give them shares of the firm, but without giving them the ability to combine the goals of the capitalist economic endeavor with their own.

Even though fundamentally all investors in person in firms are expected to comply with rules they should have a say in the making, the place workers are most likely to develop this *political* attitude towards their work experience is in the service industry as working in the public realm and interacting with clients transforms dramatically the context of work and makes conditions the most favorable for the emergence of a political understanding of work. The service industry is therefore the first target of this institutional arrangement and it provides for between 70 to 80% of the employment in Europe and the U.S. Besides, it is clear that there is a disproportionate lack of capability to contribute to the decisions involving the firm as one descends the scale of competencies. One can

assume that employees with high bargaining power can, at least individually, make certain conceptions they hold with regard to the objective of their involvement in the firm respected, while employees with no such power cannot. Hence the service industries with low-skilled workers are the first place in which these new institutions should be involved. As in the case of the German *Mitbestimmung*, which legally requires works councils for every firm of five or more employees, the size of the firm is not a relevant issue here and all firm should indeed be concerned by the bicameral idea.

6.3.2. Capital and managers

The Chamber of Capital assembles the representatives of the firm's investors in capital. at this point, we can take as our point of departure the existing institution that directs private corporations in capitalist democracies: the board mandated by an assembly of shareholders to represent its interest. Since the board of the firm is elected by the assembly of shareholders, i.e. investors in capital, in the context of this study it is referred to as the Chamber of Capital. In a similar fashion, the traditional shareholders' firm could be renamed the unicameral firm. As the Chamber of Labor is the one which is missing from today's capitalist economies, this study focuses on it.

As the key managers —the members of the executive committee as well as its chair, the chief executive officer— are elected by both chambers, there is no reason for them to favor the interests of the investors in capital or of the investors in person. This has been

the main concern of investors in capital within the framework of the traditional shareholders firm (viz., the principal-agent problem). Were the managers to do so on a systematic basis in the context of the bicameral firm, they would face a refusal of cooperation from the chamber whose interests would be considered as disregarded. The subsequent paralysis of the firm's decision-making process could lead to consequences as serious as the replacement of the executive committee. Hence for bicameral institutions to work efficiently, it is crucial that the independence of the highest-level executive committee members be maintained. Therefore, during the time of their service as members of the executive committee, these persons are not affiliated with either one of the two chambers, and cannot vote in or engage in activities related to the elections of representatives to the chambers. Once they have discharged their duties, though, they can (re)join the appropriate chambers, depending whether they are investors in person or in capital.

6.3.3. The bicameral firm and the larger institutions of industrial relations

It is crucial to acknowledge that this discussion takes place at the level of the firm only. It is not meant to replace any existing or desirable system of industrial relations that take place at the industry level, or more widely covering the economy as a whole. This proposition limits itself to the level at which the firm is directly governed, and is entirely compatible with existing institutions of collective bargaining and the so-called "social

dialogue” at the upper levels of the economy. Of course, the role of unions in this new institutional framework must be redefined; the opportunities this provides are discussed later on (see section 7.3.).

6.4. *Institutional design*

6.4.1. Inducing cooperation

In the bicameral firm structure, two representative bodies, the Chamber of Capital and the Chamber of Labor, govern the firm. A majority in both chambers is required to approve the decisions that affect the life of the firm. The efficiency of this institutional arrangement hence requires the cooperation of the two chambers. Since antagonism can only lead to paralysis of the firm’s decision-making processes, both parties therefore have a strong incentive to cooperate, as both would be negatively affected by such paralysis. At the same time, this interdependence gives the two parties a somewhat equal power of negotiation, thus embodying the recognition of the equal importance of the two fundamental quests that drive the economic engagement of investors in capital and investors in person: profitability and democratic justice-. Since all decisions to be made in a firm involve the two Chambers, and because no zone of activity or of decision is neutral to the quests that respectively define investors in person and in capital, in principle both Chambers have a legitimate say on all matters. However, they can also decide to delegate responsibility to the other Chambers or to an appointed (group of) person(s) in any zone of competence.

Given the nature of the decisions to be made in any firm, two types of governance are required, each adapted to one of the two main types of decisions to be made. The first concerns the general “*framework*” rules; the second regards the specific decisions (the “*adaptive*” rules) on which the everyday functioning of the firm depends, and which are to be taken at decentralized levels inside the firm. Where to draw the line that separates the two types of decisions is a key issue that must be carefully debated by both chambers.

6.4.2. Framework rules: representative democracy

A representative, deliberative-type democratic process is the standard for establishing the framework rules that govern the firm. A completely participatory mode of decision-making, inclusive for all investors in person and in capital, would mean a type of governance completely decentralized at the local level (the store, office, shop, etc.). This is neither realistic nor desirable, given the need for coordination between the numerous parts of the productive process. Among the different offices, plants, or stores of a firm, a standard system for products, marketing, training, salaries, shareholder dividends, etc., in the form of common rules is indeed necessary for the sake of both efficiency and justice. Indeed not only does the effective coordination of the different parts of a firm require that standards be established at the most general level; these standards also convey the objectives of democratic justice that concern the firm in its entirety,

throughout its numerous possible plants, shops, offices etc. Therefore these standards, or “framework” rules, should be set at a level where all who are possibly affected by them are represented.

To enable the representation of the different “parts” of the firm, one must consider the relevant “constituencies” that compose the firm and require representation in the two chambers. As mentioned earlier in this chapter, the issue of the representation of investors in capital will not be further addressed here, although it is clear that these investors fall into different categories (risk-taking capital, institutional investors, small shareholders, etc.) and the question of their representation should not be assumed to be simpler than that of the representation of the investors in person. For the moment, given the limits of this study, we will assume that the Chamber of Capital is convened in the same way as the current boards of firms are appointed, that is, it is elected by the assembly of investors in capital according to legal framework that vary widely across capitalist democracies.

The representation of the investors in person in the Chamber of Labor is based on categories relevant to the “constituencies” that compose Labor that are structured according to the division of work inside the firm (i.e., the organization of the production process). Hence each investor in person is member of a *district*. Districts are made up of investors in person who possess the greatest amount of experiences, problems, and stakes in common. This is usually defined through the position shared in the work process (the secretaries, the cashiers, the technicians or the production unit of soles, the

department of sales, etc.). Each district elects its representatives from among the members it gathers and the definition of the districts itself is a decision of high importance to be taken by the Chambers (it could probably be justified to grant the Chamber of Labor the possibility to submit a first proposition over this matter).

In the Chamber of Labor and the Chamber of Capital, deliberations must involve arguments capable of eventually gaining the consent of the majority in both chambers. Therefore, justifications of any proposed decision will likely involve a combination of references to the two central quests of the firm, efficiency and justice. We can think of this as of a deliberative process close to what Cohen defines as the deliberative democratic process: “[I]n such a procedure participants regard one another as equals; they aim to defend and criticize institutions and programs in terms of considerations that others have reason to accept, given the fact of reasonable pluralism and the assumption that those others are reasonable; and they are prepared to cooperate in accordance with the results of such discussion, treating those results as authoritative.” (Cohen 1997 413).

For reasons of both efficiency and justice, the application of the framework rules approved by both Chambers will likely be played out by those who put them into practice. Hence a participatory mode of decision-making and management is also built into the idea of the bicameral firm. Besides making decisions about the framework rules, another major task of the two chambers is to jointly draw the line between the framework rules that they establish themselves and the adaptive rules that they delegate to be fixed at the relevant level. For instance, both chambers are likely to agree on the

necessity of appointing an executive committee and a chairperson (the chief executive officer) responsible for overseeing the firm's daily operations along the general lines agreed upon by both chambers.

In large firms, it may be relevant to have a two-tier system of chambers: one at the level of each production facility (plant, office, store, etc.), and one at the level of the firm (the chain of stores at the national level, for instance)³⁶. Depending on the relevant level of decision-making, the upper chambers could decide to delegate decision-making and execution to each production unit's chambers. At the level of the production facility, the Chamber of Capital would likely be represented entirely by the site's management.

6.4.3. Adaptative rules: Participatory democracy

The interest of such representative institutions of firm governance resides also in the fact that they are inclusive and flexible, and therefore facilitate an efficient delegation of power according to areas of decision and the specific needs of the firm. As previously established, the chambers are likely to charge an executive body with the daily execution of the strategy agreed upon by the two Chambers; this body might even propose such a strategy. The executive committee will be directed by a person or persons who will carry the title chief executive officer who will be responsible before the two Chambers.

³⁶ It is also possible to envision a higher regional or global level, for firms operating, for instance at the European level or on a global scale.

In today's highly competitive economic world, flexibility is considered the main means of achieving economic efficiency. The quick adaptation of the production process to market demand is key to economic success, and hence to profitability. Flexibility is best defined as the reintegration of conception and execution (Sabel 1994). To meet this challenge, the bicameral firm is able to maximize the efficiency of employee participation, particularly through the management of issues closely related to their work. The executive committee must ensure that the participatory procedures are put in practice with effectiveness.

Having set the framework rules, the chambers can rely on the relevant districts to conceive and apply the adaptative rules. Considering that a major characteristic of contemporary economic activity is the search for flexibility, and considering that, among employees, each person has different expectations with regard to work (is reassured by repetitive tasks or prefers varied work, enjoys responsibility, expects to move up the scale of responsibility, etc.) and that his or her life outside work is defined by different characteristics (family responsibilities, the need to hold a second part-time job, attend training at night, etc.), a participatory mode of management of work will be best able to take all such variables into account and maximize employees' contribution to the firm. From the point of view of strict efficiency, the rationale for such an integral participatory mechanism is that each member of the relevant work collective gathers a specific knowledge about the problems at hand that needs to be taken into account in order to take the best suitable and efficient solution. But besides her priceless local knowledge,

the employee's wider collaboration is needed to solve these problems while it is the moment to implement the solutions imagined and agreed upon.

Thus, according to issues at the stake, the chambers of the firm will set framework rules, let the chambers of one particular site decide for themselves or directly a district, or designate who is in charge of setting the *adaptive* rules. Given this cooperative and participatory approach to firm management, the worker's delegate will correspondingly consult his district while representing his colleagues in the Chamber.

6.5. *To conclude*

Through this institutional scheme, we explained how *economic bicameralism* is a new form of governance of the firm with regards to both its philosophy and its institutions. It stems from the recognition that two quests motivate the agents of the firm: profitability and democratic justice, each of these being pursued by one of the firm's two major agents: the investors in capital (here also referred as capital) and the investors in person (here also referred as labor). Also, two chambers representing these two groups of agents govern the firm jointly: the Chamber of Capital assembles the investors in capital, who value an instrumental rationality while seeking profits foremost; and the Chamber of Labor assembles the investors in person, who display a political rationality and seek democratic justice foremost. The organization of the firm is managed by these two

chambers who sit on an equal footing and hold shared responsibilities in the firm. The collaboration hence induced between investors in capital and investors in labor enables the firm to effectively combine the objective of democratic justice at the heart of the work experience with the objective of profitability that motivates investors in capital. Given the nature of the decisions to be made in firms, two types of governance are required, each adapted to one of the two main types of decisions to be made. The first concerns the general “*framework*” rules; the second regards the specific decisions (the “*adaptive*” rules) on which the everyday functioning of the firm depends, and which are to be taken at decentralized levels inside the firm. Obviously, where to draw the line that separates the two types of decisions is a key issue that must be carefully debated by both chambers.

7. RETHINKING THE INSTITUTIONS THAT GOVERN THE FIRM

As stated earlier in this work (chapter 4, section 4.2.), two arguments justify taking into account the dual quest that lies at the heart of the firm: a normative argument related to the nature of the democratic society, and an argument in terms of efficiency, one of the two defining quests of economic activity.

Firstly, from the point of view of a just democratic society, it is crucial that what people live as an experience of a *political* nature (and which is animated by an aspiration toward democratic justice) be governed along these lines. This is the basis of the normative argument for the bicameral firm.

On the other hand, from the point of view of the other quest that animates the economic sphere, efficiency, it is in the general interest of the firm to understand the types of phenomena that occur within it in order to devise efficient instruments of governance. Indeed, for the sake of efficiency, the governing institutions of the firm must be closely adapted to the reality of what they govern, particularly in an economic era characterized by flexibility (Sabel 1994). This is the basis of the instrumental argument for the bicameral firm.

7.1. *The normative argument*

7.1.1. The foundations of institutions in democratic societies

If we take as a given that working as a social experience is of *political* nature and that consequently there is an underlying aspiration toward a more democratic governance of the workplace, the pursuit of democratic justice being at the heart of the work experience from the employee's point of view, a democratic society simply cannot allow the realm of work, if so *political*, to be governed solely with reference to the quest for profitability—that is, the legitimate aim of economic activity in capitalist democracies, where the economic sphere is understood as simply as the place of an instrumental rationality. Therefore, it is highly important to think about those institutions that treat instrumental and political rationalities as the two rationalities that animate the economic sphere. Both of their quest, economic profitability and democratic justice, are in the best interest of society, which will benefit from the production of wealth and of more just social relations at the same time. As a consequence, the economic sphere is better seen as generating the fabric of society, at both the material and social levels, than as constituting a remote arena where goods and services are manufactured and profits hopefully generated while social relations taking place in there are simply instrumental and without consequence over the rest of the investors in person's life and the democratic society in general.

This point is underpinned by a theory of the origins of the institutions that govern human society. This theory addresses the issue of the origins of institutions. Institutions are best understood as constructed by the different actors that shape society and influence the

eventual form society will take, this final outcome being then understood as *the* society. This outcome is taken for granted in the liberal paradigm, which is incapable of giving a realistic account of institutional origins, as in the Marxist paradigm, which sees them as a mere result of the development of the productive forces. The institutionalist paradigm (Immergut 1998) has offered a much more convincing account of the origins, role, and transformation of institutions by considering the social forces (actors, movements, ideas) that dispute the governance of society, whose battle for influence eventually produces contingent outcomes in the form of specific institutions. This study endorses such a view of institutions, i.e., that they are specific arrangements reached through the contingent evolution of human agency.

In order to be justified, institutions in democratic societies must be comprehended within the democratic framework, which in turn carries specific requirements with regard to the forms of governance through institutional arrangements such a society chooses. The conception of institutions that this study upholds is underpinned by one guiding principle: as part of the historical process of rationalization that has taken place in Western liberal societies, it is assumed that institutions which govern (segments of) society are functioning to promote those ends that are most beneficial in the sphere of action they administer. In the political sphere, for instance, it is the common good that is sought after; in the economic sphere, the maximization of profit (creating the greatest amount of output and the least amount of waste); in the sphere of culture, the most possible diverse expressions of individuality, etc.

Within capitalist democracies, the canonical means to these ends are efficiency within the economic sphere and legitimacy (achieved through devices such as the popular vote, partisan appointments, constitutional provisions, etc.) within the political one. If the aim of one sphere of action changes, or comes to be perceived differently, it would require from the point of view of normative democratic theory an adaptation of the institutions governing that sphere in order to reflect its new goals. Hence, taking seriously into account the fact that there are actually two goals that are pursued in the economic sphere, namely profitability and democratic justice, justifies rethinking the institutions that govern the economic sphere in order to accommodate the idea that it is not only the location of the maximization of profit through efficiency, but simultaneously the focus of a sense of justice and collective integration that is experienced by the employees as part of the *political* nature of work.

7.1.2. Mobility and economic democracy at the firm level

The normative argument for economic democracy by means of the institutions of the bicameral firm is not undermined by what appears at first to be a strong criticism against the proposition: that in an economy defined by a mobile workforce, the level of the firm is no longer relevant in defining the life of workers, and if the idea of economic democracy matters at all, one should focus on other areas of economic life.

First, the idea of worker mobility across both corporate and geographic territory must be qualified. Even in the most mobile labor market among advanced post-industrialized economies, that is the U.S. labor market, median employee tenure has ranged from 3.4 to 3.8 years between 1983 and 2002³⁷. This still constitutes a solid amount of time. Besides, even if that were not considered the case, it would not render the argument for locating the focus of economic democracy at the level of the firm irrelevant. There is no good justification for giving less weight to the quest for democratic justice (or, for that matter, to the quest for efficiency) pursued by a worker who has been with the firm for six months than to the same quests when they are pursued by an employee of 10 years.

Secondly, it is also relevant to consider the analogy of political constituencies. The fact that citizens move across city, county, or state borders does not render the idea of municipal democracy obsolete. Mobility on that front has, indeed, never pushed anyone to claim that cities should be ruled by despots, not even in the U.S., whose cities are characterized by a particularly high rate of geographical mobility compared to other advanced capitalist democracies.

³⁷ Figures of the U.S. Bureau of Labor Statistics. Other figures from the BLS show that the percent of employed wage and salary workers 25 years and over who had a 10 years or more tenure with their current employer was 31.9 in 1983 and 31.0 in 2002, for workers between 60 and 64 years old, the figure reached up to 59.8% in 1983 and 50.3 in 2002.

7.2. *The instrumental argument*

It has already been explained (sections 3.3.1. and 6.4.3.) how participatory procedures, in an age of flexibility, can potentially enhance productivity, not merely through the process of gathering and sharing information, but through improved motivation on the part of workers (Bowles and Gintis 1986; Schweickart 1993)—hence the whole literature developed during the 1990s regarding high-performance work organization (HPWO) (Godard 2001). Providing new confirmation to the job characteristics model of Hackman and Oldham (1980), work under lean production and HPWO is argued to be highly intrinsically rewarding, that is, simultaneously generating increased motivation and increased satisfaction, which in turn boosts productivity. From a more *political* angle even, this is also the story of the industrial district (Piore 1990). It is key to understand that participatory models of decision-making are at the core of these managerial innovations, which potentially yield higher worker satisfaction and more productive workplaces, among other benefits. Therefore, drawing an analogy between the benefits of such managerial devices and the prospective benefits of the participatory and representative institutions of the bicameral firm seems reasonable.

7.3. *Re-imagining unions along the way*

The bicameral firm offers a great deal of opportunity for unions to rethink their priorities and their modes of engaging workers. The majority required in each of the two chambers should induce a culture of cooperation much more beneficial than the culture of

confrontation that currently dominates employer-union relations. Indeed, the institutional setting of the bicameral firm has the potential to yield a much more constructive result: instead of creating a milieu of zero-sum games where the victory of one side is seen as the loss of the other, the institutions of the bicameral firm potentially induce and even force cooperation since its outcomes would be generally more just. Besides, in the event a joint decision would still be seen as beneficial for one party, it could be understood as reinforcing this party's commitment to the firm, and hence, the firm's general welfare.

Within this institutional context, unions have the potential to expand their capacity to bring about social change. At the same time, they continue to be critically important in their double traditional role of providing training to the employee representatives in the chambers and ensuring the coordination of the platforms defended by the different groups of investors in person (employed, non-employed, unemployed) in the different parts of the economy.

Let us keep in mind that labor representatives are elected in each firm independently of whether or not they are members of a union. Hence, the institutions of the bicameral firm does not presume a certain type of environment with regard to labor relations and, in theory, it works equally well in a unionized or union-free environment. Nevertheless, in the context of societies with is a dual system of worker representation (such as the European nations, which have both works councils and union delegations in the firm with different areas of competence), the power granted to the Chamber of Labor to deliberate and decide about any issue relevant to the firm and its employees makes it difficult to

argue for the maintenance of the union delegations in their present form, since it would make them, at best, a sort of “echo chamber” of the Chamber of Labor. In cases where unions have gained representation inside firms, it is by adjusting the composition of the Chamber of Labor that such issues could be worked out (through a specific quorum of union members in the Chamber, for instance).

Empowering labor (whether unionized or not) at the level of the workplace and the firm will potentially enable unions to play a stronger role unifying investors in person in different firms, industry segments, and industries across the larger economy. Here we can speak of transversal vigilance and action on the part of unions. At the level of the bicameral firm, this means representing the interests of those who are not directly included or represented in the deliberative and participatory institutions of the firm, but who may nonetheless be affected by the decisions made there. For example, if the two chambers of a chain of supermarkets decide to open on Sundays in a country where the retail industry is generally closed that day of the week, the decision would have a major impact on the supermarket chain’s competitors, who would soon be likely to consider opening on Sundays themselves. The transversal role of unions would here mean finding the means to build channels of communication and links of solidarity and coordination between the workers (and their representatives), unionized or not, in and across the different firms, as the investors in capital generally find it relevant to coordinate their actions across firms (on issue of wages, for instance)³⁸.

³⁸ In a context of scattered firm-based unionism like the U.S., these new conditions of operation should definitely push unions to expand their base both in terms of the actual provision of services as well as in

The idea of economic bicameralism will no doubt raise concerns regarding the internal organization of unions and their modes of decision-making, which are generally not best defined as democratic. However, through the influence of its new participatory practices, actual opportunities to build much needed collective capabilities could be hopefully used (De Munck and Ferreras 2004), and at the same time the *bicameral firm* is likely to prompt the union movement to re-think its structures and return to the old debate of “union democracy” (Martin Lipset, Trow, Coleman 1956).

Lastly, empowering workers (whether they are union members or not) at the level of the workplace and the firm may create the opportunity for unions to address larger audiences of people interested in their goals and holding a similar understanding of society, or to help them build one for themselves in connection to their view about social change. In contemporary societies, which are internally divided along many more lines than in the past, this could represent a critical opportunity (Piore 1995). If union politics is inclined to the mission of social change towards more just and democratic economies and societies, labor’s involvement in the bicameral firm might provide the roots and strength the union movement needs to bring about change in the larger society.

terms of their strategic understanding of the situation. For connected comments, see (Freeman and Rogers 2002)

8. BY WAY OF CONCLUSION

After reviewing the arguments for economic democracy, this study has advanced an original argument that considers the nature of what takes place within the firm itself. Based on this understanding, we spoke of the *political rationality* of the firm's investors in person in describing the following facts: that those who invest their persons in the firm do live work as an *expressive, political* experience that places them in a *public* space where their conceptions of the *just* are challenged in complying with the rules of the workplace. However, as workers are not entitled to take part in forging those rules, this *political rationality* also involves a normative content: that is, an aspiration towards *democratic justice* within the context of the firm, represented by the idea that every investor, *in person* as well as in capital, should have a say in the decisions that concern the organization. At the present time, investors *in capital* are the sole investors who are legitimately entitled to take the decisions regarding both the regulation of existence within the firm and the future of the investments made in the firm. However, we contrasted this conception of the shareholder firm with the recognition of the fact that the firm is animated by two central quests (for economic profitability and democratic justice), driven by two types of rationality (instrumental and political), which are in turn embodied in two categories of individuals (investors in capital and investors in person). Taking these facts seriously into account should entail that both categories have a say in the firm's decision-making processes. (see General Table in chapter 4).

If one considers the implications of this analysis for the structures of authority and decision-making that govern the economic sphere, particularly at the level of the firm, one must conclude that democratic governance constitutes the most appropriate way to organize this sphere of activity. Indeed, it is the only way in which the political character of work can truly be expressed and acknowledged while simultaneously reconciling the quest for democratic justice with the quest for economic profitability. We therefore proposed the institutional structure of the bicameral firm in order to meet this challenge.

Economic bicameralism is an original form of governance of the firm with regards to both its philosophy and its institutions. It is founded on the recognition that two quests motivate the agents of the firm, each of them being pursued primarily by one of the firm's two major agents, capital and labor. In the structure of economic bicameralism, two chambers, one representing each group of agents, govern the firm jointly. The Chamber of Capital assembles the investors in capital, who value an instrumental rationality while seeking profit as their foremost objective; and the Chamber of Labor assembles the investors in person, who display a political rationality and seek democratic justice as their primary goal. While investors in capital remain the sole legal shareholders of the firm, the governance of the firm is managed by these two chambers, which occupy an equal footing and are consequently bound to cooperate to make the firm work. The collaboration hence induced between investors in capital and investors in labor enables the firm to effectively combine the objective of democratic justice at the heart of the work experience with the objective of profitability that motivates investors in capital.

Beyond the scope of the firm, the normative argument underlying economic bicameralism maintains that if their democratic character is to be strengthened—or, perhaps, merely endure—capitalist democracies must begin to recognize the high political stakes that are embedded in the economic sphere as indeed work which is the social sphere of activity in which people often spend the greatest part of their lives is experienced as *political*. But what does mean the official commitment to democracy proclaimed by liberal democracies if the recognition of the *political* character of work, and its aspiration towards democratic justice moreover, is denied in order to secure the control over the firm by a few investors *in capital*? How can a democratic society pretend to fulfill its creed and live up to its ideal if it fails to appreciate that such a great political stake is involved in one sphere of its social life—namely, the economic sphere? Taking part in the endeavor of normative democratic theory this study hopes to have contributed to the reflection, and hopefully the action, about these stakes.

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