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## Workplace Democracy Implies Economic Democracy

Nicholas Vrousalis

This article mounts a defense of economic democracy that piggybacks on arguments for workplace democracy. It is addressed to those republicans and egalitarians who are committed to workplace democracy. The article argues that those workplace democrats should, first, be opposed to private property, and, second, be committed to economic democracy, or—what amounts to the same thing—socialism. Workplace democracy is the idea that workers ought to possess control rights over the conditions of production in their places of work. Socialism is the idea that workers and citizens ought to possess control rights over the conditions of production in the economy as a whole. To be clear: I am not claiming that *all* republicans or democrats are socialists. All I am claiming is that republicans, democrats, and co-travelers *who affirm workplace democracy* thereby commit themselves to socialism. Those workplace democrats cannot disembark the democratic train at workplace democracy; they must ride it to the very end, and that end is socialism. Call this the *piggyback argument*.

The piggyback argument proceeds as follows. I begin by identifying the fundamental *pro tanto* normative principles that ground the main contemporary arguments for workplace democracy: republican (Section 1) and political-egalitarian (Section 2).<sup>1</sup> I then argue for two theses. First, that the full realization of these principles is undermined by the existence of private property in the means of production. This is the *anti-property thesis*. Second, that avowal of workplace democracy on the basis of these principles commits those who avow them to economic democracy. This is the *socialism thesis* (Sections 3 and 5). I then rebut two influential objections to the piggyback argument. The first draws on an argument due to David Ellerman and Carole Pateman (Section 4) and the second on a time-honored Keynesian stratagem in favor of private investment (Section 6). I conclude by considering some institutional implications, including the old model of worker control based on workers' councils (Section 7).

### 1. Republican Arguments for Workplace Democracy

Consider, first, the republican justification for workplace democracy. Republicans object to the existence of arbitrary, uncontrolled, or unchecked power, on grounds of domination. Philip Pettit (1997), for example, defines domination as subjection to arbitrary power, where arbitrariness is defined as failure to promote or track the interests of those subject to power. The republican definition of “interest” is a topic of considerable controversy (see, e.g., Lovett 2010).

More recently, Pettit (2012) has suggested that interests may be deliberatively constituted, such that the possession of arbitrary power implies failure, by the powerful, to track interests that survive some process of democratic deliberation. Domination, in this sense, *entails* the absence of democratic authorization. It follows that democratically authorized power is not arbitrary, uncontrolled, or unchecked, and therefore does not constitute domination.

Starting from this set of claims about domination, republicans have argued that the legitimization of hierarchical relations—bosses’ power over workers—requires workplace democracy. Keith Breen (2015) and Iñigo Gonzalez-Ricoy (2014), for example, emphasize the arbitrary power of bosses, noting that bossing power does not bother republicans “as long as it is adequately checked, that is, as long as the employer is forced to track the interests of the employee” (Gonzalez-Ricoy 2014, 238). Along similar lines, Alex Gourevitch (2016) highlights the importance of the right to strike as a counterweight to bossing power. The exercise of such power, he suggests, regularly includes forcing workers to work without pay; firing them for Facebook comments or sexual orientation; forcing them to wear diapers; denying them lunch breaks and air conditioning; making them take drug tests, alter religious practices, disown their political commitments, and so on.<sup>2</sup>

These republican arguments against bossing power do not *uniquely* favor workplace democracy; some republicans believe that bossing power can be adequately checked without worker control over the workplace. Workplace constitutionalists, for example, maintain that an adequate remedy to workplace domination implements and enforces stringent pro-labor labor legislation, including pro-union and strike-friendly laws (Hsieh 2005; Dagger 2006; Breen 2015). In response to Pettit/Gourevitch-type complaints, the workplace constitutionalist insists on comprehensive enforcement of such laws. The workplace constitutionalist infers that workplace democracy is not the sole remedy for workplace domination and that none of the interferences enumerated in the previous paragraph count uniquely in favor of workplace democracy.

The republican workplace democrat has two rebuttals to the workplace constitutionalist. The first goes as follows: exclusively legal remedies to workplace domination, however well-designed, are both infeasible and undesirable. They are infeasible because not every possible contingency of the employer–employee relation can be written into a contract. And even if it could, such minute specification would deprive both parties of dealing appositely with contingencies. Samuel Bowles and Herbert Gintis (1990; 1992) generalize this argument. They suggest that labor markets are characterized by what they call “contested exchange,” that is, exchange in which one agent possesses power over another in virtue of incomplete markets or contracts. According to Bowles and Gintis, all contested exchange is subject to “endogenous enforcement”; that is, contested exchange engenders a principal–agent relationship<sup>3</sup> such that parties external to the contract—courts, for example—cannot fully enforce its terms. Bowles and Gintis maintain, further, that contested exchange pervades labor markets. This is the main contrast between their account and Walrasian economic models, in

which all enforcement is exogenous, that is, implemented by parties external to the contract:

While the employer's promise to pay the wage is legally enforceable, the worker's promise to bestow an adequate level of effort and care upon the tasks assigned, even if offered, is not. At the level of effort expected by management, work is subjectively costly for the worker to provide, valuable to the employer, and costly to measure. The manager-worker relationship thus is contested exchange. (Bowles and Gintis 1992, 333)

It follows that the anti-domination ameliorative ambitions of workplace constitutionalism are severely circumscribed. Contested exchange engenders power relations, even in the presence of powerful unions and strike-friendly laws. These relations, in turn, arise "from wealth-holders' structural location in nonclearing markets,"<sup>4</sup> which allows them to use sanctions to elicit managerial compliance with the objectives of profit maximization, or through their analogous use of sanctions to control workers directly" (Bowles and Gintis 1992, 330). If A is the employer, and B the employee, then

in equilibrium there will exist unemployed workers identical to B who would prefer to be employed. Thus A's threat to dismiss B is credible and dismissal is costly to B. Hence A can apply sanctions to B.... Thus A has power over B. (Bowles and Gintis 1992, 338)

Bowles and Gintis infer that unemployment is both necessary and sufficient for workplace domination; it is, as they put it, a "worker disciplining device." If Bowles and Gintis are right, then workplace constitutionalism does not suffice to abolish workplace domination; a further remedy, such as workplace democracy, is necessary.

The second republican argument for workplace democracy—and against workplace constitutionalism—does not turn on the existence of unemployment. According to that argument, the costs of leaving a job, or abandoning work altogether, are nearly always considerable. So even under full employment, bosses will retain considerable power over workers. It follows that any right to contest managerial decisions, short of worker control, is unlikely to be effective or robust in the republican sense (Gonzalez-Ricoy 2014, 239–41). Worker control over the workplace attenuates this domination by giving workers control rights over their conditions of production. These are the main republican arguments for workplace democracy. I turn now to political-egalitarian arguments.

## 2. Political-Egalitarian Arguments for Workplace Democracy

Political-egalitarianism is a subset of relational egalitarianism.<sup>5</sup> Relational egalitarianism's central normative commitment pertains to egalitarian social relationships (as opposed to merely egalitarian *distributions*: see Anderson 1999). In recent democratic theory, a necessary condition for relating as equals, in the relevant sense, is provided by the right to an equal say (Christiano 2008), or by an equal opportunity to influence decision making (Kolodny 2014; Viehoff

2014). Like the republicans discussed above, relational egalitarians believe that the possession of a power over others is not objectionable *as such*. Unlike those republicans, relational egalitarians do not emphasize arbitrary, uncontrolled, or unchecked power. For them, the possession of a power over others is objectionable if and only if it fails to reflect a right to an equal say, or an equal opportunity to influence outcomes on the part of those subject to that power. The normative emphasis, therefore, is not on power *per se*, but rather on the egalitarian constitution of decision-making processes.

Political-egalitarians limit the purview of these processes to the relationship between citizen and state. They note that ownership-conferred power sometimes jeopardizes *political* equality. According to Thomas Christiano, for example, egalitarian social relationships require “equality in the process of deliberation as well as equality in the resources that go into making coalitions and bargaining over political aims and policies” (Christiano 2010, 199). But then capitalist private property will, in some cases, undermine the right to an equal say. For it will sometimes be the case that

Capitalist firms ... act in ways that undermine the pursuit of democratically chosen aims.... They do this by laying off workers in response to minimum wage increases or disinvesting in the case of pollution laws. Or they have an influence merely because they are expected to do these things once the policies are in place. Here the capitalists are ... determining the conditions of feasibility for the pursuit of aims and thereby determining the extent to which aims are achieved. Hence the capitalists limit the achievement of the chosen aims of the citizens and they do this simply by virtue of being able to exercise their ordinary liberal property rights. (Christiano 2010, 206)

This is a variant of Adam Przeworski’s (1985) *structural dependence thesis*. The idea is that unrestricted exercise of “liberal property rights” undermines the principle that “citizens be able to choose as equals what aims the society is to realize”; capitalists thereby appropriate “a special exercise of political power for themselves” (Christiano 2010, 203).<sup>6</sup> Capitalist power is objectionable when and because it undermines political equality.

The political-egalitarian advocate of workplace democracy now needs an auxiliary premise, explaining why the democratic workplace is less likely to abridge the equal-say principle than the capitalist workplace. This premise is provided by the political economy of cooperatives. The idea is that worker-controlled cooperatives are unlikely to engage in lockouts or to fire members in response to, say, statutory increases in the minimum wage (see Dow 2003 for a survey of the relevant literature). Crucially, cooperatives cannot credibly threaten to relocate in the event of a tax hike, at least not without the joint relocation of their assets *and* members. Hence, worker-controlled cooperatives cannot credibly proffer the threats that capitalist firms regularly do proffer. In this sense, they have less power over governments and are significantly less likely to run afoul of the equal-say requirement. This, in rough outline, is the political-egalitarian case for workplace democracy.

I now define the anti-property and socialism theses. The anti-property thesis holds that capitalist private property undermines the full realization of the principles grounding adherence to workplace democracy—respectively, republican and political-egalitarian. A note of caution: by “private property” I mean only private property in the means of production, that is, in means used to produce all-purpose means. The anti-property thesis does not, therefore, censure the power to appropriate resources and goods, as such. It only censures the wherewithal to subordinate others<sup>7</sup> *by means of* such appropriations. The socialism thesis holds that the full realization of republican and political-egalitarian principles engenders, in addition, a *pro tanto* commitment to economic democracy.<sup>8</sup> Workplace democrats must, I think, embrace the democratic socialization of productive resources (I discuss the institutional form of that socialization in Section 7). I begin with the republican argument for these two theses.

### 3. Republicans against Property

Suppose bosses possess unchecked power over workers. Workplace democracy, republican workplace democrats (hereafter *republicans*) maintain, is both necessary and sufficient to force bosses to track the interests of workers. This attenuates unchecked power. What exactly confers that power on bosses? The standard economist’s answer is: exclusive control over some scarce asset (physical capital, ideas, knowledge, and so on). But then such control confers power on economic agents *other than bosses*: banks, for example, may possess power over indebted cooperatives. Crucially, this power is arbitrary, uncontrolled, or unchecked, unless it is subject to democratic authorization. In other words, *if* private owners of productive assets can dominate workers in hiring relationships, *then* they can dominate workers outside such relationships. It is private property, and not just the employment relationship, that enables workplace domination.

Republicans object to this assimilation of the employment relationship under private property. Elizabeth Anderson, for example, has criticized liberal and libertarian political philosophers for subsuming the labor contract under “market”—as opposed to “governance”—relations. She writes:

This frame falsely assimilates the employee to an independent contractor, and thereby effaces the power relations entailed by employment. Independent contractors own their own tools, set their own hours of work, work for a variety of clients of their own choosing, and decide how to do their jobs without direction from their clients. This is not a governance relation. When employees accept a job, they leave the market and enter a hierarchy within the firm, subordinate to their boss. This is a governance relation. (Anderson 2015, 59–60)

Anderson takes Armen Alchian and Harold Demsetz (1972) to task for suggesting that firm governance does not involve “relations of authority” (Anderson 2015, 61, n. 29); she defends the view that firm relations do constitute relations of authority. It follows, according to Anderson, that market relations—exchange

relations between “independent contractors”—do not come under the purview of republican democratization demands. On this view, only *intra*-firm capitalist acts between consenting adults are candidates for domination.

Anderson is right that the employment relation is not assimilable to a property relation; the workplace *is* special. But her argument is incomplete; she offers no principled reasons for thinking that mere property relations, as such, fail to subject B to the “arbitrary, unaccountable will of [A]—who can act without having to ask anyone else’s permission” (Anderson 2015, 52). A lot hinges on the meaning of the terms “having” and “permission.” Consider one way of putting pressure on these terms.

Lazy Colonialist has colonized Friday’s territory. Unlike other colonialists, who would appropriate Friday’s land and convert Friday into a wage laborer, Lazy Colonialist appropriates Friday’s land and rents it out to Friday at extortionate rates. There is, by republican lights, domination here. If this is not an instance of domination, then the republican schema is ethically irrelevant, or worse. There is, however, no vertical governance or authority relation here: Lazy Colonialist’s power is exclusively market-mediated. Call this form of domination *horizontal*, to distinguish it from the *vertical domination* of the capitalist workplace. The rest of this section argues that horizontal domination pervades capitalist property relations, by republican lights.

### **3.1. The Trade Case**

I begin by providing a general argument for the view that domination can obtain through nonhierarchical market exchanges between private commodity owners.<sup>9</sup> I then apply that argument to relations between democratic workers’ cooperatives.

Consider an abandoned island, on which there are two producers, Friday and Robinson. They are qualitatively identical in their talents, skill, intelligence, and concern for efficiency and the common good. The only difference is that Robinson owns capital, whereas Friday does not. If they do not trade, Robinson will work eight hours per day and Friday will work sixteen, each producing goods to satisfy their basic needs. If they do trade, however, Friday will only work twelve hours per day and Robinson four. The total net saving in hours worked is due to specialization, given the comparative advantages of each agent.

John Roemer has cogently argued that the trade case involves exploitation. His argument goes as follows. Trade enables Robinson to extract a surplus from Friday. Having worked for four hours, Robinson can sleep for the rest of the day, while Friday toils to produce what Robinson would otherwise have produced only with an extra four hours of work. To be sure, trade saves both Friday and Robinson four hours of work each. However, Friday must optimize by unilaterally serving Robinson for four hours just because Robinson owns more capital. Hence,

Robinson benefits from Friday's presence, and is able to use his wealth as leverage, through the market, to get Friday to work for him, which Friday would not have to do if he had access to his per capita share of the produced capital. (Roemer 1996, 52)

I now argue that this form of exploitation, which obtains through mere market exchange, entails domination in the republican sense. Domination, on the republican view, is subjection to arbitrary, uncontrolled, or unchecked power. In the trade case, Robinson clearly possesses power over Friday, indeed more power than Friday possesses over Robinson (notice Roemer's claim that Robinson can "get Friday to work"). The discrepancy between the number of hours worked provides evidence of such power. Robinson's power is, moreover, arbitrary, in the sense that it is neither controlled nor checked by Friday, nor *forced* to track Friday's interests. In equilibrium—that is, after Friday and Robinson have completed their optimific trades—Friday acts as Robinson's *unhired* servant. So their proto-colonial relationship, like any proto-colonial relationship, is one of domination. It does not follow that republicans are opposed to competitive market relations *per se*. It does follow, however, that they are opposed to competitive power relations that emerge from an *unjust prior distribution*, where "unjust" may be defined in terms of domination. The provenance of the inequality between Friday and Robinson may matter, depending on the republican theory at hand.

If this argument is sound, then it straightforwardly applies to the horizontal relationship between privately owned cooperatives. For cooperatives, even the most successful ones, will need access to raw materials, machinery, and other material conditions of production. Under a system of universal cooperative production, in which all firms are worker-owned, the conditions of production can only be purchased from other cooperatives. As the process of accumulation progresses, more successful cooperatives will accumulate wealth at the expense of others. This process is objectionable only if market success fails to reflect innovation, effort, and talent—productive efficiency, more generally—as opposed to mere wealth inequality, in which case wealth inequality engenders exchanges of the Friday–Robinson variety. More precisely: *if* some market exchange is analogous to the Friday–Robinson case, in that it betokens subjection to arbitrary, uncontrolled, or unchecked power, *then* it betokens what I called horizontal domination. I now provide an independent argument for the antecedent of this conditional. I show that universal workplace democracy, however implemented, does not preclude workplace domination. If successful, this argument lends support to economic democracy on republican grounds.

### 3.2. The Dictator Case

Suppose Friday Inc. is owned and managed by its workers, who produce widgets sold for subsistence. Friday Inc.'s net revenue stream is partly controlled by an uncontrolled extra-firm agent, Dictator, who has the power to assign penalties to the sale of the firm's net output. Dictator says to the members of Friday

Inc.: “if you take toilet breaks on Tuesdays, then your revenue stream will suffer a penalty.” Fearing the impact of Dictator’s threat on their livelihood, the members of Friday Inc. unanimously vote a ban on Tuesday toilet breaks.<sup>10</sup> Call this the *dictator case*.

In the dictator case, there are no (unelected) bosses. That is, assuming unanimity and an equal distribution of voting power across firm members, there is—by the republican definitions—no workplace domination *by bosses*. However, Dictator does possess an arbitrary power over the firm’s workers.<sup>11</sup> If this conclusion is granted, then it follows that workplace domination and workplace democracy are *not* mutually exclusive. The dictator case drives a conceptual wedge between different *sources* of workplace domination (intra- versus extra-firm), which provides leverage for the argument that follows.

Now suppose there is no Dictator. Instead, there are two self-owned and self-managed cooperatives, Robinson Inc. and Friday Inc., pitted against each other in competition. Their members do not otherwise differ in talent, skill, intelligence, and concern for efficiency and the common good. Robinson Inc. and Friday Inc. produce for profit; the former owns a lot of capital, the latter does not. It matters *how* that unequal wealth is acquired: if Robinson Inc. cuts back on retained income, or invests in more efficient production techniques, then its power over Friday Inc. need not be the fruit of mere wealth inequality. As in the dictator case, I am here interested in cases where such justifications of power do not obtain: Robinson Inc.’s wealth-conferred power instances domination, by republican lights. Suppose all of these assumptions hold. The members of Friday Inc. now realize that they cannot successfully compete with Robinson Inc., unless they cut back on costs. Suppose, finally, that the only way Friday Inc. can cut back on costs consists in banning Tuesday toilet breaks. In light of this, members of Friday Inc. vote unanimously to ban Tuesday toilet breaks. Call this the *competition case*.

The dictator and competition cases are analogous. Let me explain. Suppose it is true that the only way Friday Inc. can remain competitive is to cut back on toilet breaks.<sup>12</sup> Given the background pattern of incentives, entailed by market exigencies, it is as if the members of Robinson Inc. are saying to members of Friday Inc.: “if you take toilet breaks on Tuesdays, then your revenue stream will suffer a penalty.” But this is exactly what Dictator says in the dictator case! There is, therefore, a structural analogy between Dictator’s power in the dictator case and Robinson Inc.’s power in the competition case. If the analogy holds, then the members of Robinson Inc. dominate the members of Friday Inc. It follows that workplace democracy does not suffice to eradicate workplace domination, *by the republican’s own lights*.<sup>13</sup>

### 3.3. Domination and Markets

I now want to bolster the analogy between the dictator and the competition case. Note, first, that it is entirely realistic that cutting back on toilet breaks saves

firms money—even if cutting back on *Tuesday* toilet breaks is not. In both cases, the firm managers, whether appointed from above or elected from below, retain residual authority over workers. That authority helps explain the choice of some arbitrary weekday. In other words, I need not deny that the workplace confers on some—viz. managers—discretion over others—viz. nonmanager workers. However, intra-firm discretion is not the source of domination here. Rather, it is the *extra*-workplace figure of Dictator that wields arbitrary power in the dictator case. And if Dictator does wield arbitrary power in that case, then Robinson Inc. wields arbitrary power in the competition case.

A putative disanalogy between the two cases seems to be that Dictator, unlike Robinson Inc., has complete and *unilateral* discretion over Friday Inc.'s productive outcomes. After all, Robinson Inc. is also constrained by the forces of competition; it must buy cheap and sell dear if it is to make a profit. The appearance of disanalogy is illusory, for Dictator may be constrained to threaten toilet-break penalties in a similar way. Suppose that the background structure is such that, if Dictator does not proffer the threat, or fails to enforce it in case of noncompliance, she gets automatically replaced by Dictator2. If Dictator2 fails to enforce the threat, she gets automatically replaced by Dictator3 .... In this case, Dictator's power over Friday Inc. is structurally overdetermined, just as Robinson Inc.'s power over Friday Inc. would be, in any competitive scenario.<sup>14</sup>

Another putative disanalogy between the dictator and competition cases might take issue with agency. That is, Dictator seems to be a conscious unitary agent, whereas Robinson Inc. is a corporate entity. And since only conscious unitary agents can dominate other agents, Dictator dominates the Friday Inc. workers, while Robinson Inc. does not. Now, note that the major premise of this argument—that only conscious unitary agents can dominate others—is very likely false.<sup>15</sup> Crucially, Dictator *need* not be a unitary conscious agent: she may be the resultant of a multitude of decentralized and uncoordinated individual decisions that are merely aggregated in the shape of a corporate agent. Firms are corporate agents of exactly that type; Robinson Inc. is merely a token of that type. So, if it is granted that Dictator can dominate Friday Inc. as a corporate agent, then so can Robinson Inc. The structural analogy between the dictator and the competition cases survives.

In the competition case, I conclude, the relation between cooperatives takes a dictatorial form, conferring on workers of powerful cooperatives arbitrary power over others. In Anderson's terms, this unjust wealth inequality subjects the members of Friday Inc. to the "arbitrary, unaccountable will of [the members of Robinson Inc.]—who can act without having to ask anyone else's permission."<sup>16</sup> It follows that workplace democracy does not suffice to remove workplace domination. Workplace democracy abolishes the pimp, but not the prostitution.<sup>17</sup>

Now, my examples do *not* imply that less efficient firms—like Friday Inc.—should not be allowed to go under. When power inequalities across firms reflect nothing but differences in productive efficiency, there is no domination; Robinson Inc. merely helps the allocation of resources conform to efficiency requirements

independent of the power relations of one firm over another. So, the question whether Robinson Inc. dominates Friday Inc. depends on whether the power of the former tracks certain efficiency requirements that obtain independently of that power. Under what conditions can we trust markets to meet such requirements? The answer depends on complex questions in industrial organization.

Suppose that, in industry  $L$ , fixed capital plays a secondary role. Then hierarchies in  $L$  will tend to be relatively horizontal—think of universities, law firms, and so on. Competition between firms in  $L$  may attenuate *inter-firm* power differentials, while simultaneously reducing *intra-firm* managerial power. In  $L$ , republican values are best served by allowing competition to run its course, within limits. Contrast a high-fixed-cost industry  $K$ , where hierarchies are relatively vertical—think of factories, technology firms, and so on. Here, state regulation is likely to be necessary. High fixed costs in  $K$  mean that competition across firms will tend to be weaker, such that inter-firm power differentials will be greater. Vertical hierarchies will be steeper, such that intra-firm power differentials will also be greater. So republican values in  $K$  are best served by allowing state and worker-managed firms to regulate market and workplace jointly.

Republicans ask under what conditions vertical and horizontal power relations constitute domination. If the provenance of a wealth inequality is not domination; if vulnerable members of Friday Inc. have enough and sufficiently valuable outside options—there are, say, equally good jobs available; and if the availability of such options is not subject to the arbitrary will of capitalists or state officials, the members of Friday Inc. are not dominated. But note the stringency of these requirements: nondomination seems to require *both* full employment and democratic control over the investment policy undertaken to create it. In Section 5 I argue that these conditions are very stringent: they presuppose socialized property, or something like it.

I now summarize the argument of this section: if a powerful dictator can possess arbitrary, uncontrolled, or unchecked economic power over the members of a workers' cooperative, then so can a creditor, or a powerful market competitor. The culprit, in this case, is not the employment relation, but the *property relation*, in conjunction with certain background conditions—namely, the provenance of the property relation in domination. It is private property, in other words, that is responsible for the domination of the members of Friday Inc. by the members of Robinson Inc. In these cases, republican workplace democrats should be opposed to private property. This suffices to establish the anti-property thesis. The republican argument is naturally moot in cases where firms go under due to bad management, a slack workforce, or lack of innovation. As the original Friday–Robinson example shows, however, not all power inequalities between firms can be justified by appeal to such considerations.

It is, now, but a short step to the socialism thesis. If unchecked power requires democratic legitimization, then the unchecked power of powerful market agents requires democratic legitimization. I submit that this calls for socialization of (some) control rights over the vehicles of that power, the means of production as a whole.

It follows that republican workplace democrats should be socialists. This is the socialism thesis. I now discuss a republicanism-friendly defense of workplace democracy that explicitly denies the anti-property and socialism theses.

#### 4. Ellerman's Cut

David Ellerman thinks there is no such thing as horizontal domination: all capitalist domination is vertical. It is therefore possible to disembark the democratic train at workplace democracy, well before the *terminus* of economic democracy. Ellerman stages this disembarkation attempt by drawing a principled distinction between the power of capitalist bosses, on the one hand, and extra-workplace “capitalists,” such as credit institutions, on the other. He writes,

Capitalism recognizes a universality based on a legal symmetry between persons and things; both are rentable. Laborism is not legally symmetrical between persons and things. It is based on abolishing the contract for renting human beings, just as the contract for lifetime rental, the voluntary self-enslavement contract, is already abolished. Thus, laborism exhibits an asymmetrical bias in favor of persons as opposed to things; things may be rented, but persons may not be rented in a laborist system. The characteristic institution of so-called “capitalism” is not the private ownership of the means of production but the voluntary contract for the renting of human beings, the employer–employee contract. (Ellerman 2007, 16)

Ellermanian “laborism” identifies wage labor, the vertical dimension, as the sole source of capitalist domination. This contradicts the anti-property thesis, which embraces both vertical and horizontal domination.

Ellerman's cut is untenable. Consider the following two cases. Capitalist K hires worker L to work for eight hours per day. L's wage, which allows her to subsist, is the monetary expression of four hours of work. K pockets the money equivalent of four hours per day as profit. Contrast a case in which L by working on her own well, but needs J's bucket. L borrows the bucket from J. Under this arrangement, L works for eight hours per day. Her take-home pay is equivalent to four hours per day, while J pockets the rest as interest. That is, J pockets the money-equivalent of four hours per day of labor time, without doing an hour's work.<sup>18</sup>

Ellerman thinks that only K dominates L, because L rents herself out only to K, but not to J. Unlike Ellerman, I think each of K and J dominate L. Ellerman is right that L rents herself out to K for a wage. But if L rents herself out to K, then she *also* rents herself out to J, not for a wage, but for a bucket. That is, in both cases, L must produce for others *just because* those others own what L needs in order to subsist.<sup>19</sup> There is, however, no reason that L should produce for K or J that is independent of K's or J's property-conferred power. That power allows both K and J to convert L's labor into servitude. This is the “renting of human beings,” succinctly summed up in the expression “domination of labour by capital.” So what could possibly ground Ellerman's cut?

Ellerman's opposition to the possibility of horizontal domination has a republican flavor, but it is couched in terms of inalienable rights. The idea is that the employment contract, *unlike* other market contracts, presupposes the *fictio juris* of property in the person. That is, to sell your labor power is to alienate rights to your own person and its powers. But these rights are inalienable: your labor power is yours by right, but not yours to *sell* by right. So labor markets—and the generic employment contract—are a form of wage slavery. As Carole Pateman puts it,

The justification of employment as the paradigm of free labor rests on the political fiction that one piece of property in the person, labor power, is alienable. In fact, labor power is not separable from its owner and so is not alienable.... [The fiction] distracts attention from the subordination that constitutes employment, and from what is actually alienated through the employment contract—the right of self-government. (Pateman 2002, 50)

Pateman and Ellerman believe that the sale of labor power is tantamount to the “alienation” of an (inalienable) right to self-government. Yet, for all that Pateman and Ellerman show, “alienating” an inalienable right is not necessary for the violation of that right. Suppose I have an inalienable (moral) right to exclusive use of this car. My (moral) right is violated when I sell my (legal) title to use it. That is not, however, the only way my (moral) right can be violated: you might, for example, steal it. By the same token, my right to self-government is not violated only when I *sell* my labor power to you. It can also be violated when I *borrow* from you, or simply when I *trade* with you, on dominating terms (see the Lazy Colonialist and Robinson–Friday examples, above). It follows that wage labor is not the only way capitalists can violate your right to self-government: there is such a thing as horizontal domination.

I conclude that Ellerman is only half-right in maintaining that “democracy is at war with the renting of human beings, not with private property” (Ellerman 1993, 19). Ellerman’s premise is true: democracy *is* at war with the renting of human beings. But Ellerman’s inference is invalid; he signally and consequentially fails to note the different ways in which the propertied can convert themselves into lessees and the propertyless into lessors of their own person, quite independently of the employment contract.

## 5. Egalitarians against Property

According to the political-egalitarian justification of workplace democracy, capitalists—owners of the means of production—tend to have a greater-than-equal say in politics. This conclusion seems consistent with the anti-property thesis. A political-egalitarian workplace democrat (hereafter *egalitarian*) may resist this conclusion, on the grounds that universal workplace democracy, together with healthy representative institutions, *suffices* to check the power of private property, thus ensuring political equality. I now show why this conclusion is false, on the egalitarian’s own terms. Private control over investment—that is, private

property in the means of production—can undermine an equal say, even when such control is universally vested in democratic, worker-managed cooperatives.

Przeworski (1985) argues that capitalists have power over governments, in part because they can credibly threaten to disinvest or relocate. Carrying out the threat precipitates job losses and wage cuts, undermining any government's re-election prospects. Hence, insofar as governments are interested in re-election, capitalists have power over governments. Now suppose there is an economy of cooperatives, owned and controlled by their own workers. Perhaps the economy has the structure of Ellermanian market socialism, in which loans from profit-seeking cooperative banks fund worker-controlled cooperatives (Vanek 1970; Ellerman 2007). The reason Ellermanian cooperatives are more conducive to political equality than capitalist firms is that they are unlikely to relocate in response to democratically authorized tax hikes, or to lay off workers in response to minimum wage legislation, and so on. As emphasized in Section 2, these are the kinds of concerns animating egalitarians.

But now note that even Ellermanian cooperatives must, under a regime of private property, control their own investment, hiring, and pricing policy. There are, in general, two ways firms can affect electors and thereby leverage governments. They can cut worker incomes and they can increase unemployment.<sup>20</sup> There are, in turn, two ways to increase unemployment: firms can lay workers off, or—assuming a growing labor force—they can fail to hire. Suppose that Ellermanian cooperatives would be disinclined to fire their own members. They can still undermine democratic decisions by failing to hire *new* workers, or, less directly, by raising prices faster than nominal wages.

Now suppose there is a democratically authorized decision to raise the minimum wage. Cooperatives can defeat this decision, *à la* Christiano (see p. 4 above), by threatening not to hire new workers.<sup>21</sup> The threat is, in turn, made credible by their failure to invest. For under a regime of private control over investment, "the profits of enterprises today are the investments of tomorrow, and the investments of tomorrow are the employment of the day after" (Helmut Schmidt, cited in Przeworski 1985, 43). Private employment, in other words, presupposes private investment. It follows that the only way the nonhiring threat can be made non-credible consists in wresting control over investment decisions from its private owners.

To summarize the argument so far: private ownership of capital, whether by cooperatives or by capitalist firms, can only be reproduced by maintaining the owner's rate of profit. But maintaining profit sometimes requires higher unemployment and/or lower real incomes. Suppose governments depend, for their re-election, on the overall level of unemployment, or of worker real incomes. Suppose, further, that private owners of capital—in this case, Ellermanian cooperatives—control their own investment, hiring, and pricing policies, such that they sometimes optimize collectively by raising unemployment and/or lowering worker real income. It follows that such cooperatives would sometimes be

disposed to wield power to the *detriment* of democratically authorized decisions. Private ownership of capital, in other words, violates political equality. It follows that even Ellermanian cooperatives possess a Christiano-type greater-than-equal say. This suffices to establish the anti-property thesis on egalitarian grounds.<sup>22</sup>

The argument just rehearsed applies, with equal force, to an influential case for worker-control, due to Carol Gould. Gould (1988, 2014) arrives at a defense of worker control from a premise about “equal rights to the conditions of self-development.” The idea is that, if all have equal claims to the conditions of agency, then “free agents have a right of self-determination or self-rule, which … implies an equal right of codetermination concerning all common activities in which they engage, whether political or economic” (Gould 1988, 143–44). Gould thinks this right entails “property rights … as well as management rights” in the firm. It also allows for market exchanges between firms, but would “generally exclude the market between capital and labour, since the wages would be determined in the process of self-management, by the workers’ own allocation among themselves of the net revenue of the firm” (Gould 1988, 145). Yet individual cooperatives can still defeat democratically authorized decisions, *especially* if they are worker-owned, through decentralized and uncoordinated optimizing decisions pertaining to prices and employment. Gould suggests that these problems should be addressed through “planning and market-regulatory commissions” representing the “workers in general” (Gould 1988, 254–55). But then individual firms will not be allowed to dispose of their property rights as they see fit; investment decisions will be severely circumscribed and effectively socialized. Gould therefore affirms a version of the anti-property thesis.

I conclude that the only democratic remedy to capitalist inequities consists in wresting (some) control rights over investment from its private owners. The socialism thesis does not, however, follow. One might, for example, nationalize the means of production and vest control over them in *unelected* state officials. This is roughly the stratagem devised by European social democracy during the *Trente Glorieuses*. Under the auspicious economic circumstances of postwar reconstruction, high-ranking union officials colluded with high-ranking politicians and state officials to keep industrial democracy at bay (see Miliband 1972; Mandel 1974). In return, workers were provided with better welfare, wages, and work conditions. This stratagem reproduces the equal-say problem; it implies that state officials, not capitalists, abridge democratic equality. In other words, if one grants—with workplace democrats—that public ownership without worker control is undemocratic, then it follows that the social-democratic stratagem violates the equal-say requirement. This is why the democratic socialization of production may be better served by an independently elected *labor chamber*, that is, a federation of workers’ councils, elected from individual workplaces, and endowed with control rights over aggregate investment.<sup>23</sup> Unlike the social-

democratic stratagem, this institutional setup upholds economic democracy. I will return to it in Section 7.

## 6. The Keynesian Gambit

The defender of private property might now appeal to a *Keynesian gambit*. That is, she might appeal to a stabilization program that guarantees full employment through state management of aggregate demand in the economy, leaving private property untouched. If that program succeeds, republicans and political egalitarians can disembark the democratic train at workplace democracy, safe in the knowledge that Keynesian demand management will usher in full employment by stimulating *private* investment. Such a stimulus might operate through helicopter drops of money, money-financed tax cuts, or interest rate cuts.<sup>24</sup> The Keynesian gambit, in other words, attempts to block the move from the structural dependence thesis, which it affirms, to the anti-property thesis, which it denies.

I now argue against the Keynesian gambit, by generalizing the argument of the previous sections. Consider an Ellermanian economy in which all firms are worker-owned and worker-controlled. There is a market for cooperative memberships, such that nonmembers of cooperatives can join cooperatives if, but only if, they pay the market-determined entrance fee. It can be shown that, under these conditions, the individual cooperative will hire workers up to the point that its marginal value product—the marginal product of labor in money—is equal to the wage offered in the external labor market.

Now suppose there is a democratically authorized decision to raise the minimum wage. Cooperatives can respond either by raising prices, or by reducing employment.<sup>25</sup> If they opt for the former option, such that full employment is preserved, this will lead to inflation, which will eventually corrode the original democratic decision by reducing workers' real incomes.<sup>26</sup> If, on the other hand, the cooperatives choose not to raise prices, or have no room to do so—because, say, prices in the economy are stable—then they optimize by reducing employment. This optimizing choice, again, indirectly defeats the original, democratically authorized, decision to raise minimum wages, by creating an excess supply of labor.

Michael Kalecki lucidly summarizes this argument:

In the slump, either under the pressure of the masses, or even without it, public investment financed by borrowing will be undertaken to prevent large-scale unemployment. But if attempts are made to apply this method in order to maintain the high level of employment ... strong opposition by business leaders is likely to be encountered ... lasting full employment is not at all to their liking. The workers would "get out of hand" and the "captains of industry" would be anxious to "teach them a lesson." ... In this situation a powerful alliance is likely to be formed between big business and rentier interests.... The pressure of all these forces ... would most probably induce the government to return to the orthodox policy of cutting down the budget deficit. (Kalecki 1943, 4–5)

This section has argued that Kalecki's admonitions apply even to an economy under universal worker control. It follows that democracy and private property are largely incompatible, even when private property is exclusively vested in democratic firms. The anti-property thesis is safe.

## 7. Institutional Implications

I have argued that a commitment to workplace democracy—based on the republican or political-egalitarian normative principles sketched above—entails opposition to private property. This is the anti-property thesis. If, moreover, that opposition is to be resolved democratically, as republicans and political egalitarians think it must, then some control rights over aggregate investment must be vested in democratic institutions. This is the socialism thesis. What kinds of institutions could fulfill this task? I conclude by sketching a response to this question.

John Rawls provides the two standard liberal answers to the institutional question: the first is “liberal socialism,” the second property-owning democracy (Rawls 2001, 136–38). Property-owning democracy is the idea that the concentration of wealth can be attenuated through *predisistribution*, that is, through publicly funded health and education, progressive taxation of real estate and capital gains, demogrants, and possibly coupon ownership of the major means of production (see O'Neill and Williamson 2012 for different accounts of property-owning democracy). Rawlsian liberal socialism, on the other hand, combines *predisistribution* with worker-managed firms. Neither answer will completely satisfy the workplace democrat, republican or egalitarian. Property-owning democracy confers too much power on managers and owners of private capital (see Vrousalis 2018a). Liberal socialism, for its part, is liable to conferring too much power on state officials, such that those officials either dominate citizens (Thomas 2017, 178–215), or abrogate their right to an equal say (see footnote 22 and the text appended to it). What workplace democrats need is an institutional setup that does not allow capitalists, managers, or state officials to dominate the direct producer or to abridge her right to an equal say. In a word, they need a theory of the socialist state. The rest of this section considers one such theory.

Consider the old model of worker control: workers own and manage their workplace conditions of production through democratically elected workplace councils. Each council elects representatives to a regional workers' council, which may also include consumers, experts, and other affected citizens. Regional councils elect national councils, which are, in turn, entrusted with control over aggregate investment in the economy.<sup>27</sup> In this model, workplace councils are the building blocks of economy-wide councils, which exercise direct control over economy-wide conditions of production. The argument of this article has been that the desirability of states and (independently constituted) councils depends on whether they promote democracy and the values that

justify it—political-egalitarian, republican, and so on. Republican and egalitarian workplace democrats agree that both unchecked *state* and *capitalist* power undermine these values. Now suppose there is a system of “dual power,” in which democratic parliaments and *independently* constituted workers’ councils share control over the means of production in the economy as a whole. Suppose that, as a result, the power of capitalist, manager, or bureaucrat does not hold sway; everyone gets an equal say. Then the envisaged transfer of power from state institutions to workers’ councils is not incongruent with democratic values. Indeed, it is *required* by these values.

Unfortunately, this is not all. Most past attempts at the democratic socialization of investment through workers’ councils were disastrous failures. They include 1917 Russia, 1918 Germany, 1920 Italy, 1936 Spain, 1956 Hungary, 1973 Argentina, 1974 Portugal, and so on. Some explanations for these failures have less to do with the workings of the council system itself and more with external circumstances, including bourgeois hostility, or war. Other explanations emphasize the system itself. According to one such explanation, exclusive council control over the factories tends to lead to a full-fledged dictatorship of experts, as in the former political dictatorships of Eastern Europe.

It seems, then, that socialists are faced with a *socialization dilemma*. If control over the means of production is vested exclusively in state officials, or even in democratic parliaments, then the best we can hope for is a parliamentary system served by an unaccountable and undemocratic state bureaucracy. If control over the means of production is vested exclusively in workers’ councils, on the other hand, then the likely outcome is a dictatorship of managers and experts (see Korsch 1975, 70–78; Poulantzas 2008, 366; Vrousalis 2018b). Socialists must therefore constantly wage a war on two fronts, quite independently of capital: against state officialdom, on the one hand, and against technocracy, on the other.<sup>28</sup> By what institutional means might they wage that war? This is a difficult, even daunting, question, that has to do with the separation of powers between states, managers, and workers. It is a question that no one interested in economic democracy can ignore.

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## Notes

<sup>1</sup>The article does not address parallel case arguments. Such arguments take *political* democracy as a premise and move from that premise to a conclusion about *economic* democracy (see Breen

2015; Landemore and Ferreras 2015 for defences of the parallel case, and Lopez-Guerra 2008 for a critique). I do not take political democracy as a premise. Rather, I begin from certain justifications of democracy in general, and show that, *if* they support workplace democracy, then they support socialism.

<sup>2</sup>For a more extensive list drawn from the contemporary United States, see Anderson (2015, 63–64) and Gourevitch (2016, 315–18).

<sup>3</sup>In the context of the capitalist firm, principal–agent relationships arise because of the separation between ownership and control: owner nonworkers need nonowner workers to maximize shareholder value, but lack full control over the policies and actions of the latter.

<sup>4</sup>Markets clear when and only when total demand for all goods equals available supply. A market might fail to clear because of rationing, price controls, and so on.

<sup>5</sup>I am here grateful to Christian Schemmel (private communication, 7/5/18). See Schemmel (2015) for relevant discussion.

<sup>6</sup>One of the reasons this article does not consider parallel-case arguments for workplace democracy is that they tend to assume (falsely) that states with private ownership of capital *can* be fully democratic. Structural arguments, like Przeworski's, call this assumption into question. See Cohen (1989, 29) for discussion.

<sup>7</sup>“Subordinate” is vague. Since my argument here is immanent to these theories, I only discuss republican and political-egalitarian interpretations of subordination.

<sup>8</sup>Such a commitment might, of course, be overridden by independent, stronger, considerations of, say, efficiency. But I doubt such considerations tell in favor of private property.

<sup>9</sup>Some republicans claim that dominating power and market competition are mutually exclusive (see Lovett 2010, 79; Taylor 2017, 29–65). This claim confuses *market power* with economic—that is, ownership-conferred—power. Perfect competition is perfectly compatible with dominating power (see Vrousalis 2013, 155).

<sup>10</sup>I assume that there is no agent heterogeneity, such that the absence of Tuesday toilet breaks does not harm any group of employees unequally.

<sup>11</sup>When a boss imposes penalties on Tuesday toilet breaks, she dominates her workers (see Section 1). But then so does Dictator.

<sup>12</sup>An anonymous referee points out that this would not, normally, be the case. The workers could democratically decide to keep the toilet breaks, but work harder, or cut prices, accepting a cut in their individual incomes. The point is moot. It suffices for my purposes that, according to republicans, a Dictator who conditions the members of Friday Inc. in this fashion—subject to unjust background conditions—dominates them. And *if* it is granted that Robinson Inc. can similarly condition the members of Friday Inc., then republicans must censure private property, on grounds of domination. This section argues for the antecedent.

<sup>13</sup>Note that inequality in worldly resources is not a necessary condition for Robinson Inc. dominating Friday Inc. It might just be that the workers of Robinson Inc. are so much more knowledgeable, or talented, than the members of Friday Inc., that they can drive the latter out of business *on a whim*. If this power is arbitrary, on the republican account, then the former dominate the latter.

<sup>14</sup>It is not open to the republican to object that the constrained nature of Dictator's choices make her any less of a dominator. To do so would be to exclude, by conceptual fiat, the very possibility of structural domination.

<sup>15</sup>See List and Pettit (2011, chap. 1) for an argument to this effect.

<sup>16</sup>It bears repeating that republicans need not be opposed to competitive power relations *per se*. The Friday Inc.–Robinson Inc. relation may be objectionable on grounds of domination only if it emerges from an objectionable (e.g., domination-induced) prior distribution in the means of production.

<sup>17</sup>One can be opposed to pimping without being opposed to prostitution. The point of this section, however, is that republican workplace democrats can't *consistently* be opposed to pimps—on the basis of the normative principles that constitute such opposition—but not to prostitution, in the relevant sense. Republican opposition to bosses, in other words, commits them to opposition to

private property.

<sup>18</sup>What enables this unequal labor flow? Republicans and political-egalitarians have not addressed the power-induced nature of labor flow in the context of capitalist markets. I shall assume, without argument, that the relationship between J and L resembles the Friday–Robinson case in involving exploitation, that is, power-induced unilateral labor flow. I defend this account of exploitation in “How Exploiters Dominate,” which is available from me upon request.

<sup>19</sup>That is, by making what consumers of L’s goods need (in this case, water). To be sure, L needs a bucket, and J’s bucket was made by someone; the bucket embodies human labor. But J has not, by assumption, done a day’s work: she either stole the bucket, or inherited it, or came to possess it through some fortuitous concatenation of events. If Lazy Colonialist dominates Friday, or if Robinson dominates Friday, then J dominates L.

<sup>20</sup>This conclusion depends on whether there is a market for memberships to cooperative firms. In the absence of such a market, individual cooperatives have an incentive to keep marginal revenue product relatively high, thereby rationing employment at suboptimally low levels (the classic study is Ward 1958). If, on the other hand, there is a membership market, then individual cooperatives will maximize total profit, just like the generic capitalist firm (see Dow 2003, chap. 7).

<sup>21</sup>How they do this will depend, in part, on whether there is a market for cooperative memberships (see previous footnote). If there is such a market, then the cooperative’s employment rate will contract—members will sell their memberships—until marginal revenue product equals the external wage option. If there is no membership market, then employment may not contract in response to a wage hike, but will, in general, remain suboptimally low. In what follows I assume that there is a membership market.

<sup>22</sup>It will not do to object, in this context, that the optimizing decisions of individual democratic firms do not constitute credible *threats* because they are decentralized and uncoordinated. Suppose there is a democratically authorized decision to reduce the wages of public officials. High-ranking officials with scarce talents threaten to quit in light of that decision. Their decentralized and uncoordinated threats, let us suppose, help overturn the decision. It follows that they thereby abrogate democratic equality. But then so do the decentralized and uncoordinated actions of optimizing capitalists.

<sup>23</sup>In Section 7, I sketch an argument that such assemblies should be constituted *independently* of the political state.

<sup>24</sup>I exclude demand-management through public ownership, which is not part of any Keynesian gambit in favor of private property.

<sup>25</sup>More formally, let  $p$ ,  $MP(L)$ , and  $w$  stand for the price of output, the marginal product of labor, and the wage rate, respectively.  $MP(L)$  is diminishing in  $L$  and  $w$  is exogenously given. The cooperative sets  $pMP(L) = w$ . It follows that, when  $w$  increases, the cooperative must either raise  $p$  or reduce  $L$ . Assuming the economy is originally at full employment, any general reduction in  $L$  results in unemployment and any increase in  $p$  results in inflation.

<sup>26</sup>Profit retrieval through inflation was, in fact, the strategy adopted by European capitalists at the end of the postwar boom (see Rowthorn 1980).

<sup>27</sup>David Schweickart (2011) develops an elegant model of investment planning along similar lines. However, he does not offer a theory of the state. The theory of the state is the Achilles heel of many of these theories: I discuss this in Vrousalis (2018b).

<sup>28</sup>See Gould (1988) for discussion of the technocracy horn of the socialization dilemma.

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