Democratising Firms
—A Cornerstone of Shared and Sustainable Prosperity

by Isabelle Ferreras | July 2019

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A conundrum faces us as we consider the future of politics. Some hold up environmental sustainability as a barrier to shared prosperity, deriding it as elitist and too costly, arguing that broad access to jobs, food, and housing is only possible if we give environmental concerns a back seat—which, given our planet's current state, is pure folly. Others feel that measures to protect the environment must take precedent over everything else, even at the expense of the poorest. To make matters worse, the extremists currently sweeping elections in many countries are threatening the future of democracy itself. These issues are so pressing that it is easy to fall into a debate over which is the *more* pressing. Urgency has always made external constraint, either from regulatory bodies and strong state governments or through force, coercion, and concentrations of authority, more palatable, and even appealing. Democracy might be a good idea when things are going well for the people, but when the future feels uncertain and dangerous, the siren song of the powerful leader becomes all but irresistible. This essay will argue that it is possible to respond to citizens' concerns over these issues, and the care for the planet, in an entirely different way: by expanding democracy into large transnational firms in order to build a kind of internal constraint to their behavior and decisions. I will argue that by addressing what I have called workers' 'intuition of democratic justice'[1]—that is, their sense that their right to a say in their lives and futures in and outside the workplace—we can build a more democratic, and more prosperous and sustainable world all at once.

As ecological disaster looms, and states scramble to fend it off, the idea of external constraint, of 'making' people and firms behave sustainably, is often touted as the only way forward. After all, aren't we—people and businesses alike—too tempted to sacrifice long-term sustainability for quick returns? We humans—particularly when we are organised in profit-seeking businesses—lack the self-control, foresight, and knowledge for the kind of ambitious strategic planning that sustainability implies. So far, the ways our democratic societies have addressed the issue of transitioning our economy to a post-carbon production regime reflect this. States have sought to impose external constraints on the activities of firms, seeking

ways to incite them to comply with the goal of fully decarbonising their operations. The Paris Agreement, in its identification of precise norms and targets, gives teeth to the idea that such external constraints are possible. The European Union Emissions Trading System, which was put in place in 2005 and price-tags greenhouse gas emissions in order to reduce them, is another example of external constraints, which leave firms free to orient their investments as they choose to meet emissions standards. This line of thinking has been taken to the extreme at times: calls for a green global- or eco-dictatorship certainly grew louder at the beginning of the twenty-first century (Radcliffe 2000), and could be back. But they are not new: four decades ago, Hans Jonas (1985) posited that humans might well need a "benevolent dictatorship" to save themselves from their own weakness for short-term thinking and their inability to face the future and cease their destructive behavior toward the planet and other species.

> **Democracy might be a good idea when things are going well for the people, but when the future feels uncertain and dangerous, the siren song of the powerful leader becomes all but irresistible.**

Mostly, critiques of current-state environmental regulations for firms—among those who support them—center on the lack of enforcement mechanisms or point out that they simply are not stringent enough to lower emissions at a pace rapid enough to reach zero in time to save the environment.[2] In this essay, however, I argue that part of the actual problem comes from the fact that external constraints on firm activity are not currently balanced with internal ones, which we can achieve if we succeed in transitioning from the dominant form of corporate governance to a democratised power structure *within* firms. External constraints will never suffice to meet the conditions of shared and sustainable prosperity, because of the nature of the firm, on both dimensions: how it is governed, and the logic of the work that takes place in it.

This essay will argue that it is more democracy we need, not less—but not in the forms we are accustomed to democracy taking, within the borders of its traditionally conceived so-called 'political' domain. I believe it is because the political institutions of capitalist *democracies as they currently exist* fail to take into account the needs of their communities and environments that we find ourselves in, in our current state of affairs, and that humans need more power, not less, if they are to save themselves *from injustice and their inability to face the future*. Specifically, it is because the political institutions of capitalist democracies do not extend to our economy, while they must if we are to save our planet and live together equitably and well. To this end, this essay will outline a proposal for how to expand the exercise of democracy in our daily lives by democratizing large firms.

If firms are to come up with their own contribution to shared and sustainable prosperity as put forth by Jackson (2009, 2017), a new structure for governing them is necessary: one that represents the interests of everyone who invests in them—those who invest their labor as well as those who invest their capital. That structure is what I have called *economic bicameralism*. Until firms address the fundamental inequality that underlies their *government* (the power structure that puts the board, as representative of the capital investors, in charge of decisions relating to governance, and exclude its labor investors, i.e. workers), they will continue to operate with an essentially extractive model that treats everything alike—consider the terms environmental and human *resources*—as instruments for maximising capital returns (Méda 2013, Jany-Catrice and Méda 2016). Inequality in firm government is due to a fundamental misunderstanding of the nature of the firm—what I have called the *reductio ad corporationem* (Ferreras 2017), and which I will explain below. This, in turn, has led to an economy that is governed in much the way of an England governed by a property-owning *House of Lords* alone. It seems quite unreasonable to expect that sticking to the model of firm government—that got us into our current circumstances—will lead us anywhere different in the future. How can the very power structure that built the carbon economy be expected to build the post-carbon economy?

The bicameral plan can be seen as a transition plan towards fully democratised, cooperative, worker-owned firms. This is a very old ideal indeed, as old as capitalism, but currently we lack a plan for how to actively transition existing capitalist firms toward that ideal. Economic bicameralism for firms can be seen as an intermediary step, a 'real utopia' (Wright 2010), a bridging institution leading forward, towards the ideal of shared and sustainable prosperity.

The four parts of this essay will introduce a new way of understanding firms—of democratising

corporate governance, which I argue is the *internal constraint* necessary to complement the highly-needed *external* environmental constraints if we are ever to meet our climate goals, and more broadly, generate shared and sustainable prosperity.

I will begin by explaining the logic of contemporary work, then introduce the firm as a political entity, showing that corporate firms as they are currently run are best understood as monocameral governments ruled by capital investors—without the representation of the firm's other main 'constituency': the workers. With this groundwork laid, I will close by detailing the transition forward, made possible by 'economic bicameralism'. While the connections between social sustainability and democratizing firms are fairly direct, this approach may seem a circuitous route to fend off looming environmental disaster. However, we know today that 71% of all pollution comes from the world's 100 largest firms.[3] Workers are far more likely to live where they work than capital investors are to live where they invest, and even without this geographic consideration generally have far less access to the kind of wealth and mobility that would allow them to flee or protect themselves from environmental damage. I argue, therefore, that identifying a way to involve them in firm government is not only a way to redress an injustice inherent in the current way firms are governed, but opens the door to greater social sustainability, as part of a broader agenda of sustainable and shared prosperity. With adequate external constraints expressed in the form of specific targets and a timeline to decarbonise the economy, democratising the internal government of firms is also a means to ensuring that environmental issues are addressed more quickly and more fairly.

> **The political institutions of capitalist democracies do not extend to our economy, while they must if we are to save our planet and live together equitably and well.**

Why include workers in firm government?

In traditionally governed firms, workers have had, at most, a small say in decisions affecting their work life and future. With few exceptions, their say has been voiced through unions, which are external to firms and are perceived as playing a role that is adversarial to that of management, which is appointed by a firm's *shareholders*. Since a firm's existence is equally dependent on workers *and* capital investors, and before I answer the question of why workers *ought* to be included in firm government, let us briefly consider the opposite question: why *not* include workers? There are of course many responses to this question, but I will focus on one, which is the *instrumental* way in which work and workers have been viewed in industrial society—a vision which is flawed and outdated for a number of reasons.

In the traditional industrial production regime, divisions of labor inspired by Taylorism and scientific management were considered fundamental to the efficient organisation of production. Laborers were there to supply their labor, and so only those laborers whose job description included high-level management and oversight were expected (or considered qualified) to participate in the major decisions regarding the function and future of the firm. It was the job of top management and key engineers to oversee the work process; everyone else had something else to do. According to this vision, it was a waste of time to involve people with other job functions in the job of governing: bulldozer operators bulldozed, flapjack flippers flipped flapjacks, and managers managed. Mixing their job functions was considered a waste of time.

Today, the limits of this instrumental view of work are becoming evident. Our Western economies are strongly service-based, more than 75% of jobs are service-jobs, which means they are powered in large part, and at every level, by knowledge and human interaction. The link between the success of firms and the motivation of their employees is therefore much more direct and visible than it once was. As Sabel (1994) pointed out more than two decades ago, problem-solving in the contemporary firm more often than not requires that conception and execution, which the Taylorist approach divided, be reunited. For a firm focused to any degree on service, performance, and innovation, employees are not just one production factor among many: they *are* its driving force.

In addition to the problem of fairness that such an approach raises (which I address further on), the idea that knowledge of the firm, of what it delivers and how it is delivered (and therefore of the way it should best be run) can somehow be partitioned off and assigned to a single type of worker is rapidly losing its meaning and utility. Firms, more and more, are recognising

this: A survey of the growing literature in talent management shows that employee performance depends on employees feeling involved with the tasks they perform.[4] Critiques of contemporary, renewed forms of Taylorisation have focused on a flawed vision of workers as mere cogs in well-designed wheels in order to denounce the ill effects of this vision on workers,[5] but they often pay too little attention to the fact that these forms are harmful to firms as well.

It has been amply demonstrated (and is clear to anyone who has carried it out) that there is no such thing as a worker-as-cog: workers are human, and their work, no matter how unskilled or repetitive, can never be totally reduced to such alienating terms. Again, the rise of the service economy has made this abundantly clear: even in low-skill service jobs, employees cannot properly understand the issues they must resolve without imagining themselves in their customers' shoes—in other words, without employing *all* dimensions of their human selves. For people engaged in labor that we are accustomed to defining as meaningful, such as doctors, teachers, or scientists, this may seem obvious. But sociological research, including our own into the work of supermarket cashiers, shows that this holds true even for workers in low-skill jobs that are repetitive and draining, with no opportunity for career advancement or access to a job ladder (Ferreras 2007). Their whole human selves are central both to their experience of work *and* their ability to perform it. This is, in fact, the basis for the argument that workers be called *labor investors* (Ferreras 2012 and 2017): not only do they invest their own education and skills in their jobs—as the human capital literature has documented for years—they literally invest their bodies and the best of their minds as they engage in problem-solving in the workplace as well. Since the seminal work of Hochschild (1983), this has been referred to as emotional labor, and its existence, alongside the work-related psychological problems it can generate, has been well documented by psycho-sociologists (Dejours, Deranty, Renault, Smith 2018). The more employers ignore this aspect of work and follow the Taylorist vision of workers as cogs, the more they increase turnover, sick days, work-related injuries, mental illness, and worker burnout—all of which weakens performance and poses a serious threat to work flow, service delivery, and the overall innovation capability of the firm.

> **Until firms address the fundamental inequality that underlies their government, they will continue to operate with an essentially extractive model.**

Workers are not instruments—nor, as it turns out, do they see their work as 'instrumental': extensive research in the sociology, psychology, and anthropology of work has shown that people's attitudes to work go well beyond the notion that work is something they carry out only to receive a wage.[6] Certainly, workers define work in part as "earning money to be able to meet [...] needs outside of work." *At the same time*, however, individuals perceive their relationship to their work in expressive terms of *meaning*: it provides social inclusion, a sense of usefulness, a sense of independence, a sense of service provided, or a sense of mastery; that is, satisfaction with tasks performed combined with some form of autonomy (see Ferreras 2007, 2012; Pink 2009; Méda & Vendramin 2017; Gheaus and Herzog, 2016). Sophisticated firms are increasingly aware of this: they expect high levels of commitment, motivation, and loyalty from many of their workers, and often offer them a great deal of autonomy to foster these qualities. But the autonomy workers are given, even at high levels of skill and qualification, is related to the *management* of their work (questions relating to scheduling, task-setting, organisation, work rhythm, etc.), not the *government* of their workplace (the goals, priorities, and strategic approach of their workplace as a whole). This is because both the liberal tradition and critical social theory have largely failed to expand the scope of the public sphere to include the firm[7]—they have failed to account for the ways in which workers' identities as *citizens* of the public sphere might impact their attitudes toward their work.

> **It seems quite unreasonable to expect that sticking to the model of firm government—that got us into our current circumstances—will lead us anywhere different in the future.**

As citizens, they expect to be treated equally and to have a voice in decisions affecting their life and future. As I highlight in my own research, what lies at the heart of the work experience is people's own views about justice and fairness

(Ferreras 2007, 2012, 2017).[8] In addition, the questions employees feel empowered to address (and to address quite publicly) seem to be evolving in scope. In the past few months, in 2018 alone, internal discussions have surfaced from within several major firms in which employees voiced opposition to their own top management relating to the expressive nature of their work and its place in a just society. In May, thousands of Google employees wrote to their CEO, Sundar Pichai, and asked him to drop the "Maven Project", which supplied artificial intelligence to a Pentagon drone programme.[9] Dozens of employees resigned in protest. In June, Microsoft employees protested against a contract with the United States Immigration and Customs Enforcement Agency because of its inhumane policy of separating children from their parents.[10] In August, US employees of Twitter objected to opaque processes surrounding decisions to shut down accounts for inappropriate content.[11] In November, Google employees organised the first transnational walk-out in the company's history, voicing their condemnation of the top management's handling of the sexual harassment, systemic racism, and gender inequality which is said to have plagued the organisation, and asking for "real change". Thousands of employees met outside Google offices in San Francisco, New York City, Dublin, London, Zurich, Haifa, Tokyo, and Singapore.[12] These movements speak to the centrality of conceptions of justice in workers' work experience.[13]

I have called workers' *expectation* that they ought to be treated as equal citizens in the workplace the *"critical intuition of democratic justice"* (Ferreras 2012, 2017). I use this term in the tradition of the critical social sciences, and the Frankfurt School in particular to describe the notion that working people want to be treated according to the simple standard of the first article of the Universal Declaration of Human Rights: "equals in dignity and rights". As "equals in dignity" they are equal "in rights," too: workers do not cease to expect to be citizens when they step into their workplaces, and their expectation that they ought to be heard and represented does not diminish or get put on hold when they are at work. While there currently is no guarantee that this standard is applied in the workplace, it is nevertheless part and parcel of the citizenship that workers share with all those who give life to the firm—principal, manager, worker. However resigned workers may be to the *reality* of the work contract in our "capitalist democracies" (Cohen and Rogers 1983), the *democratic ideal* underpinning our democratic societies hints at an unsettling question—an unvoiced expectation of voice.[14]

When the *critical intuition* of democratic justice goes unrecognised in the workplace, a great tension emerges, at times unstated, certainly underestimated, but clearly felt, perhaps most acutely in our capitalist democracies. To live in a capitalist democracy means living out this great tension between our critical intuition of democratic justice and the power structures of capitalism.[15] And that has great destructive power—not to destroy capitalism in the short term, but rather to destroy democracy instead. When democracies do not follow through on their promise of equality, citizens lose faith in them and turn to dictators and demagogues—a reaction that is intensified among workers in highly policed and undemocratic workplaces.[16] For the sake of efficiency and motivation, of shared and sustainable prosperity, and for the sake of the future of our democracies, it is time to consider *extending* (Wright 2010) the principles of democratic government to the undemocratic space of the firm.

> **Economic bicameralism for firms can be seen as a bridging institution leading towards the ideal of shared and sustainable prosperity.**

The Legal and Political Justification for Changing Firm Government

Before we get to the crucial question of "how?" I would like to take a moment to point out the political, sociological, and legal justifications for such a step forward in the way firms are governed. As the above considerations show, we cannot understand what a firm is if we restrict our view to the people who work to their economic dimensions. Its sociological reality and its legal reality—its *human* reality—cannot be neglected. In sociological terms, I have shown (Ferreras 2017) that a firm is best considered as a *political entity* whose existence depends on ongoing decisions about the goals of the coordinated actions pursued within it, which are bound up in issues of efficiency and justice. It depends on two major forms of investment: capital and labor. The firm is an entity that affects the lives of many, including consumers and community members whose physical proximity means they are touched by its activities. Beyond the firm's wide-ranging possibility of impacts,

the two classes of investors form the two key constituencies of the firm. Their investments are mutually dependent: without one or the other, the firm would cease to function.

The way firms are currently governed does not address this sociological reality. Crucially, it does not address *legal* reality, either. As corporate scholars, such as Robé (2011), have pointed out, firms and corporations belong to a class of entity that is owned by no one. Since the terms 'corporation' and 'firm' are often conflated, let me briefly explain that a *corporation* is, in legal terms, merely a vehicle for organising capital investors (Robé 2011). The corporation is part but not all of the broader entity that is the *firm*, which includes all of those who engage in the activities upon which its existence relies (capital investors, labor investors, and customers, suppliers, etc.). Legally, neither the firm nor the corporation, as mentioned above, can be said to belong to anyone. Shares in a corporation may be bought and sold, listed and delisted, and it is possible to know precisely who owns them, but this is not true of the corporation itself: legally speaking, a corporation is its own legal entity, and owned by no one (Robé 1999, 2011).[17] If the concept of ownership at the level of the entity cannot be applied to the corporation, it is even less applicable to firms, which, strangely enough, have no real existence under the law.

> **With few exceptions, workers' say has been voiced through unions, which are external to firms and are perceived as playing a role that is adversarial to that of management, which is appointed by a firm's *shareholders*.**

So far, the corporation has stood as a kind of proxy for the firm, anointed as the vessel that holds the legal personality that makes it possible for a business endeavour to operate in our social and legal systems. But this is nothing more than a historically contingent convention.[18]

> **Their whole human selves are central both to their experience of work and their ability to perform it. This is the basis for the argument that workers be called *labor investors*.**

At this juncture, I shall point out another entity no one owns: the state.[19] Corporations, similar to states, have special tribunals, courts, and arbitrage systems through which their problems are adjudicated and in which their voices are heard. They are distinct, "real entities" (Chassagnon 2011), granted legal personality. Here, the distinction between a corporation and a firm becomes critically important: the corporate power structure rests on shareholders only, *not the entirety of the firm*. Only capital investors are represented in its representative system: corporate legal scholarship refers to it as "shareholder democracy". Of course, some other actors, such as the president of a firm's Board and the members of its executive committee (CEO, CFO, COO, etc.) potentially have great influence on the life of the corporation, and the way the corporation leads the firm. Yet when one analyses the power structure of the firm, the intent of its institutional design is to place power in the hands of shareholders. The ideology of shareholder value—supported by the neo-classical "economic theory of the firm"—has sought to make that dream a reality. With the financialisation of the economy over the past four decades, reality has come to resemble this dream more and more—tending toward truly realising the *reduction ad corporationem*, of which the platform economy is the most fully realised example.

What about the firm as a whole? What about the people who work there? The communities affected by its operations? The customers who buy the goods it produces? Who has a right to have a voice in the life of a firm? Once we have noted this crucial distinction between the legal reality of the corporation and the sociological and economic reality that it fails to encompass, it becomes clear that a corporation, while an important element in the firm, cannot describe the larger and very real entity of the firm. There is nothing terribly shocking in the idea that corporations, as vehicles for investing capital, would be governed by people whose principle relationship to the firm, via that corporation, is an instrumental and financial one. The decisions they make, quite logically, reflect the instrumental view dominant in capital investment, of profit and return—and exclude considerations that are not congruent with that view, be they social or environmental. What is shocking is that capital investors alone have secured the political right to govern *firms for themselves*. No equivalent right has yet been granted to workers, upon whom firms are equally dependent for their existence.[20] This is undemocratic at best, despotic at worst.[21] It would be both just and efficient to recognise the right of workers to organise along the same

lines as capital investors; in other words, through an institutional mechanism that would grant them the right to participate in governing the political entity in which they are at least as intensely involved.

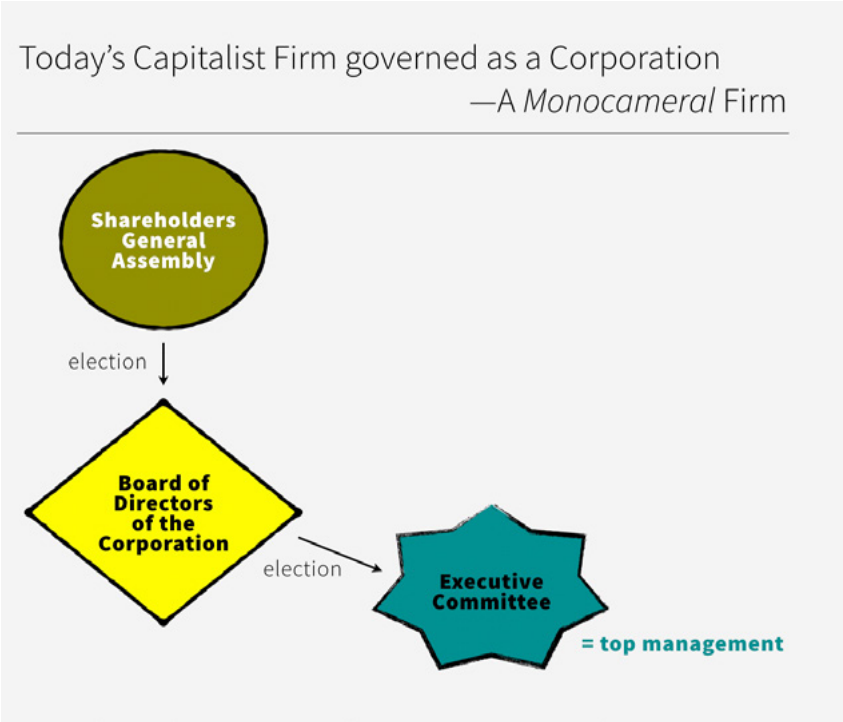
> **To live in a capitalist democracy means living out a great tension between our critical intuition of democratic justice and the power structures of capitalism. That has great destructive power—not to destroy capitalism in the short term, but rather to destroy democracy.**

Identifying a New Form of Government

Identifying the difference between a firm and its corporation, and specifying that neither entity is *owned* by anyone allows us to raise critical questions about firm government and accountability. There is an urgent need to develop a *political theory of the firm* capable of providing a rigorous analytical alternative to the economic theory of the firm prevalent today, which confuses it with the corporation and validates the exclusive authority of capital investors to govern it. The economic vision of the firm mistakes it for an attribute of the corporation. Indeed, the corporation has obscured the very existence of the larger institution of the firm. The result is that a part wields power over the whole. Corporate legal scholar Jean-Philippe Robé refers to this phenomenon as "building the firm around the corporation" (2011, 36), pointing at a legal and conceptual error: the corporation is the legal vehicle that structures the investment of capital in the firm, nothing more.

A *political theory of the firm* opens the door to a rich vein of inquiry into the history of how states, which, as we have seen, are also owned by no one, managed their transition to democracy, allowing us to stake out a possible path to transition. Seen from this line of inquiry, the power structure that currently rules firms can be described as a 'monocameral' form of government in which capital investors elect representatives who rule more or less unilaterally over employees.[22] The Capital Investors' Chamber of Representatives—better known as the Board—holds exclusive legislative power and imposes its rule over the entire firm. This form of government exists beyond the reach of labor law and trade law, and extends across the entire value chain, down through to subcontractors and suppliers.

Our goal here is not to belittle or delegitimise the institutional design already in place for capital investors in firms, or even to depose the board, or the Capital Investors Chamber of Representatives, as I suggest it be called. It is highly developed, and recognised by corporate law. Rather, I wish to suggest it is time we abandoned the fallacious notion that the corporation *is* the firm, and ceased to govern the firm based on that notion. Acknowledging that the firm is a political entity, much broader in scope, allows us to see that a firm's government must represent *all* its constituents, not only those legally organised as of today, and represented via the corporation, but also its *labor investors*. In the democratic tradition, beyond being representative of its own constituencies, the democratic government of an entity should actively consult and include in specific deliberations depending on the nature of issues at hand the impacted actors and communities, whom the CSR literature generally identify as *stakeholders*. Any government requires proper institutions to evolve and adapt, with appropriate sets of rights and responsibilities for its constituencies—in the



case of firms, for all who invest in them, whether their investment takes the form of capital or of labor. Currently, as the graphic above makes clear, only those who invest in the corporation's capital enjoy the political right to representation in the government ruling a firm.

It seems that once again in our history we face the question of how to free ourselves from a form of despotism. The Western tradition has a long and proud history of identifying and dethroning despots, but here, in the realm of the firm, under the cloak of the corporation, wearing economic clothing, so to speak, the despots seem more difficult to spot. Critically examining the architecture of power specific to the life of the firm requires us to acknowledge, at the descriptive level, that the firm (again, I underline, as opposed to the corporation) is a *political entity* (Ferreras 2017), defined by the power dynamics underlying the relations between labor and capital within it. In other words, a firm combines the legal structuring of the investment of capital through corporate law, with an ill-defined institutional structuring of the investment of labor, through labor law. The legal structuring of capital through corporate law is well defined, while the right of labor investors to organise meaningfully at the level of the firm has yet to be established. Labor law, particularly as embodied in institutions that already exist (thanks to years of battle from organised labor, such as collective bargaining, works councils, and union representation) should be considered as a parallel—still fledging—attempt to structure and institutionalise labor investment, with a view at weighing on the government of the firm.

> **For the sake of sustainable prosperity, and for the sake of the future of our democracies, it is time to consider extending the principles of democratic government to the undemocratic space of the firm.**

Assessing the nature of power in firms brings us up against a classic political problem: how to transition the entity to a fully representative government. More specifically, in the case of the firm, it raises the question of how to transition from the conditions of heteronomy (that characterise work under capitalism as we currently know it) to conditions in which all of a firm's investors have the right to a voice in the government that rules them—and even more specifically, how to erect an institutional structure that offers the two constituencies of the firm—labor and capital investors—the means to exercise collective autonomy, to use the language of Castoriadis (1999), in a democratic setting. Such expansive, comprehensive thinking about firms ought not to limit itself to corporate law alone; it must also look past the limits of the principle of subordination, in the classical sense of that term as understood in labor law.

What this essay is exploring, in other words, is the idea of carving out a place for workers in the government of firms, not only their management (I am avoiding the term "governance" to avoid confusion with the partially inclusive but not fully representative approaches to corporate governance that some CSR policies have sought to implement in the contemporary workplace, and also to draw attention to the parallel between firm and state governments). To this end, we must explore what it might mean to give workers voice with regard to the ends of their activity, and not only its means. Throughout the twentieth century, capitalist democracies have undertaken initiatives intended to foster or facilitate worker participation in the management of their work and firms. However, these initiatives have blurred a useful distinction to make between management (or governance) and government (see Ferreras 2012).

To govern is to play a significant part in deliberation, coupled with negotiation, over the terms of an exchange—in this case, economic. It is a process that fosters discussion of both ends and means.[23] Management involves bargaining over the means of carrying out a project defined elsewhere and beforehand by someone else (again, heteronomy as opposed to autonomy)—in this case, by capital investors. The terms of exchange in deliberation are political; that is, they mobilise conceptions of justice and have to do with the ends of the activity in question, not just the means to achieving them. The terms of negotiation and bargaining are highly limited, and each term of the exchange is quantified and clearly delineated: salaries, working hours, schedules, production rates are chips to trade in exchange for subordination, efficiency, productivity, and social order.

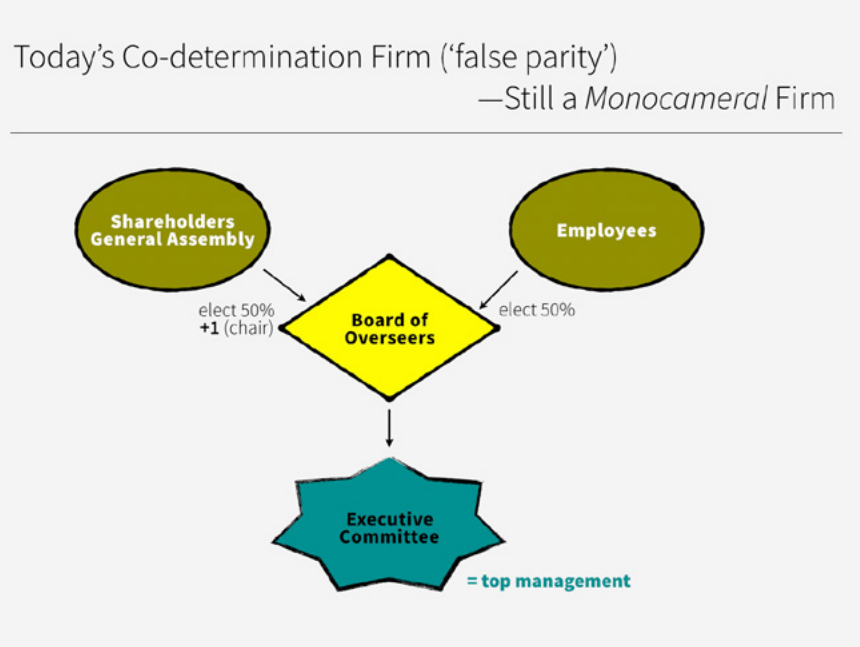
Government deals with ends as well as the practical pursuit of these ends (in the business world, this is the domain identified as *strategy*, and comprises major questions such as: What kind of service or product does a firm produce? Where? What happens to profits?); management is concerned with the implementation of a predetermined framework decided upon during a deliberation held beforehand among other actors

authorised by persons other than labor investors and/or their representatives. Government takes place in the charted terrain of the democratic public sphere, and acknowledges the equality of all as a foundational principle. Management is carried out in the private sphere, where those who hold greater power can set the terms of the exchange. The field of firm management has generated a long list of methods for involving workers as a way to make firms more functional, and hopefully more productive.

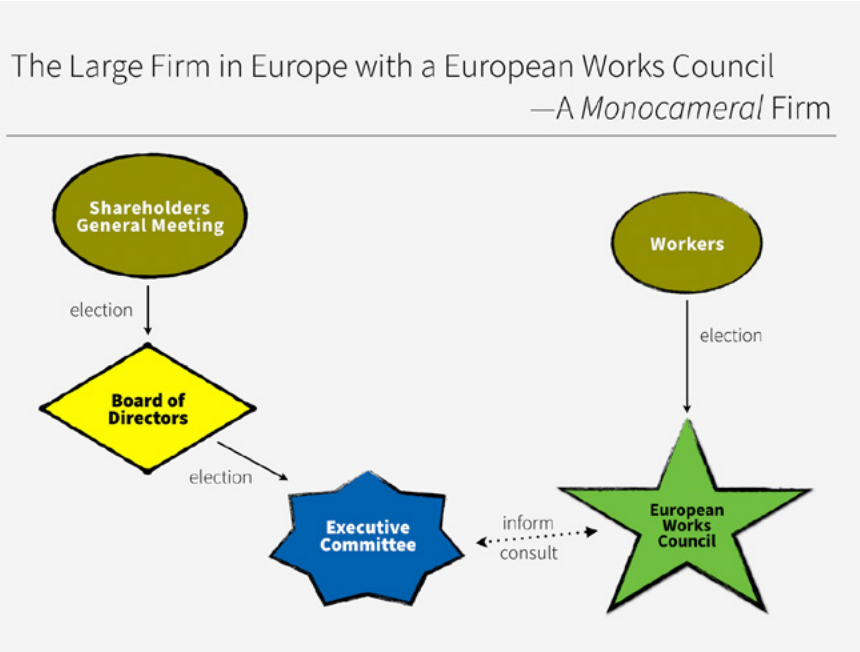
The Corporate Firm in its Bicameral Moment

To face the challenge of conceiving of the means to participate in the government of the goals, the finality of the entity, we should look back at the history of democracy, and identify how, in history, we have managed to transition political entities away from despotism. In this section, I will introduce historical justifications that may be applied to the domain of the firm to help project it into the democratic era.

To achieve the transition from despotism to democratisation in the political realm, our Western societies passed through what I have called a *bicameral moment* (Ferreras 2012, 2017). Taking this long-term historical view and applying it to firms allows us to imagine a way out of the current situation. Currently, labor investors have no voice in the government of their firms; this right is enjoyed exclusively by capital investors, through the legal structure of the corporation. However, two kinds of investment are necessary for a firm to succeed in any undertaking: of labor and of capital. The firm, in other words, is composed of not one but two 'constituencies' (Ferreras 2012). But while capital investment has been recognised and rewarded with its own institutional structure, the same remains to be accomplished for labor investment—except, of course, in the context of firms that are worker-governed. It should be noted at this point that throughout the history of capitalism, a parallel history of the worker-cooperative movement has remained vividly alive, although it has not managed to spread successfully enough to compete with the broader capitalist economy.[24] Keeping our focus on capitalist corporate firms, it should also be noted that some corporate boards in Europe have included some worker representation since the second half of the twentieth century, notably in Germany, where "false-parity" *Mitbestimmung* (co-determination, see graph below) is the rule for firms of a certain size and in certain sectors.



This, alongside institutions such as European Works Councils (see graph below), and Works



Councils at the domestic level of the firm in many European countries, is evidence of the persistence of the intuition that workers have a right to organise within the institutional structure itself, and to representation in firm government—that it is both legitimate and necessary.

The time has surely come to stop favouring one foundational logic of the capitalist firm over the other, and to give the same weight to the political and expressive rationality of labor investors as is given to the instrumental logic of capital. The two constituencies of the firm, mutually dependent types of investors, must be recognised as equal. Let us take an example:

> **Identifying the difference between a firm and its corporation, and specifying that neither entity is owned by anyone allows us to raise critical questions about firm government and accountability.**

The emergence of the platform economy highlights the descriptive usefulness—and critical potential—of the distinction between two classes of investors in any firm. Capital investors invest in Uber on the understanding that some labor investors will be willing to drive their cars for Uber's customers. "We invest in the company", one striking Uber driver said, during strikes to protest the company's I.P.O in May of this year, while Uber itself said in a statement, "Drivers are at the heart of our service—we can't succeed without them".[25] Until Uber has an automated car fleet, it will have no value at all to its capital investors without those drivers (labor investors). And yet, signing commercial contracts rather than labor contracts with its drivers, Uber has embraced the fallacy of *reductio ad corporationem*: it is behaving as if it were possible for the corporation (the capital investors) to withdraw entirely from the firm, leaving it to function in the (powerless) hands of its labor investors. This strategy should not fool anyone: Uber has responsibilities as an employer,[26] and would of course have no value at all without labor investment. It would be more descriptively accurate to view firms like Uber as having interdependent classes of investors, defined as all those upon whom the possibility of Uber's existence as a *firm*, rather than as a mere *corporation*, depends.

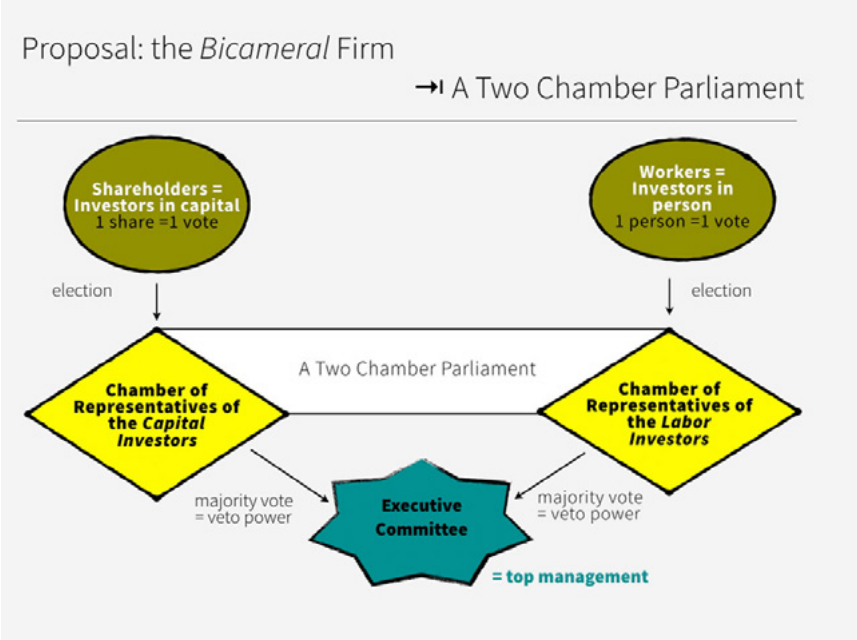
> **Any government requires proper institutions to evolve and adapt, with appropriate sets of rights and responsibilities for its constituencies—in the case of firms, for all who invest in them, whether their investment takes the form of capital or of labor.**

The history of political bicameralism and its accompanying political and legal theory shows that recognising this potential dual logic, underpinned by two constituencies, has been crucial to breaking away from despotism, democratising our societies, and continuing the democratic project. Pursuing the progress of democracy into the economy requires that we recognise that it is possible to rethink the government of firms, and their executive power, in terms of their responsibilities to both capital investors (through their Boards), and to their other constituency, labor investors, because these *two* groups of investors, capital *and* labor, make up the firm together.

What would economic bicameralism look like? In a bicameral system of government, a Parliament—the legislative branch—is made up of two chambers, which represent two types of constituencies. In the case of the firm, what is currently known as the Board is in reality the Capital Investors' House of Representatives. An equivalent House of Representatives for labor investors should be convened and granted rights equal to those of the Board, organised along the lines of the Works Councils of contemporary European firms. These two chambers would guarantee that each group of investors was represented in its own right. The two would be obliged to work together in a two-chamber parliament in order to exercise legislative power. A firm's top management would be elected by and answerable to both Chambers. It would be responsible for fostering productive compromise and cooperation between them, compromises that would nourish the firm's growth in ways that would benefit both sets of interests. Ideally, these Chambers would gather jointly, in order to maximise mutual learning, expansive deliberation, and possibilities for cooperation. Yet, once issues have been properly debated over, and the top management heard, a majority (50%+1 vote) would be necessary in each Chamber to pass legislation.[27] This actually means that each of the two Chambers would have veto power over all major decisions,

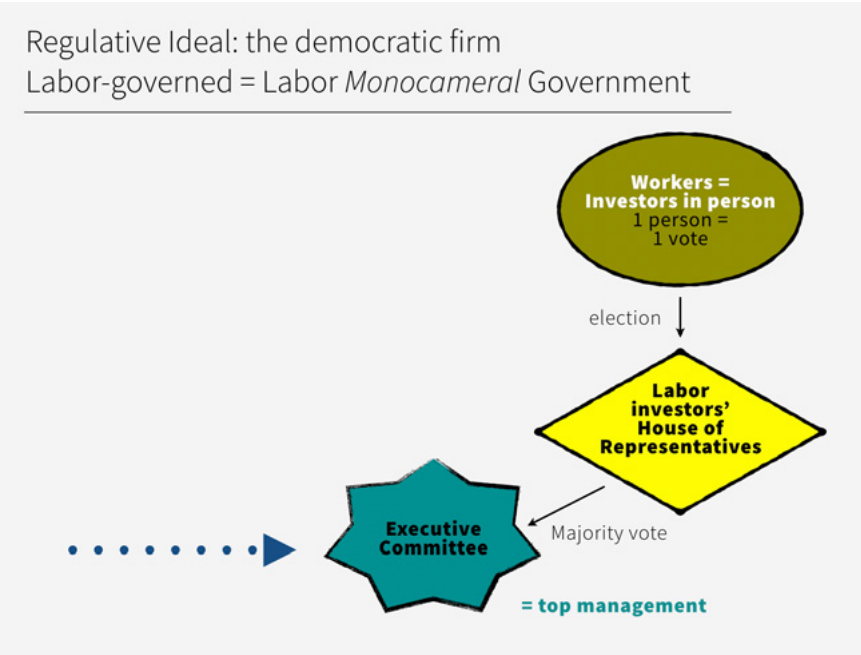
often known as "strategic decisions", that affect the life of the firm.

The idea of including labor investors in the government of firms is another step in the labor movement's historic quest to give labor a say in governing its own future. Currently, more than a thousand European Works Councils (EWCs) exist, and meet at least once a year with top management at the European level, which informs them of the corporation's economic and social situation.[28] Through these European Works Councils, union delegates are able to collect important information and coordinate potential strategies across borders and sites. This requires, at the practical level, that firms fund travel and translators for these meetings, while unions play a crucial role in training labor investors' representatives so that they are equipped to advocate for conditions of what the French sociologist Georges Friedmann has called "solidarity across firms". The existence of these EWCs shows that the possibility of organising Labor Investors' Chambers of Representatives is more than just a vague dream: already, elections are held in every EU country for worker representatives, who then gather for the meetings and engage in positive collective learning alongside top management.



The bicameral plan might be seen as a transition plan towards fully democratised, cooperative, worker-owned firms. Indeed, firms that are fully governed by their labor investors have a strong fit with the ideal of a democratic society, and the quest for shared and sustainable prosperity. Bicameral government is an ideal intermediary step leading forward. To foster the shift to fully democratic firms, public authorities might consider adopting legislation similar to Employee Stock Ownership Plan legislation already in place in the United States (Kruse, Freeman, Blasi 2010; Blasi, Freeman, Kruse 2014), which enables the labor investors in a firm where capital investors are ready to sell to get tied up in a trust to get a loan, and collectively buy back the shares to the exiting capital investors.

Up until now, the major stumbling block to the spread of cooperatively run firms has been access to (supportive) finance, and so in addition to such legislation, which enables labor investors to form a trust and buy back the shares of their firms, public authorities should seek ways to make capital available to these trusts at favorable interest rates, through public and community banks (Malleson 2014). Properly channeled and monitored, such funding would help lift one of the most intractable barriers



to firm democratisation and the development of a thriving cooperative sector. Here, bicameralism has its part to play, too: the risk previously associated with lending to *worker cooperatives* would be greatly mitigated by a transitional bicameral phase, which would help workers prepare, and acquire the culture, the skills, and knowledge for full government of their own firms. Leveraging the billions of dollars invested by employees though pension funds would also constitute a coherent funding strategy, i.e. to support firms that commit to fully respect and include their labor investors in their own government, in order to advance an economy in which labor investors' expressive rationality becomes central to the government of firms, and society's definition of prosperity.

> **A radically democratic conception is needed, one that takes into account goals of both efficiency and justice.**

Conclusion: the Potential to Shift to Low-carbon Societies is Enormous

As I write this, over 7,600 Amazon employees signed a letter asking Amazon's shareholders to adopt a resolution to address Amazon's environmental impact and reexamine its highly controversial foray into facial recognition technology. The resolution (along with a number of other issues, including its sexual harassment policy) was voted down by shareholders. One signatory, a senior product manager, was quoted in *Wired* magazine as saying: "It's really hard to be motivated when you feel like you're contributing to a problem instead of addressing it."[29] Her words underline the importance of workers' expressive relationship to their work described above. At the macro-economic level, as the economies in the West have shifted to service-based (today more than 75% of jobs being in the service industries), the potential to shift to low-carbon societies is enormous. And at the micro level, reconsidering the role and the interests of labor investors in such service-based productive regime is central to rethinking approaches to governing firms. From motivating the workforce to retaining talents —a paramount concern with purpose-driven millennial workforce, are turning out to become central to the success of firms. These trends point to the potential for positive change that might be unleashed if bicameral democracy were implemented in firms. Involving labor investors—who more often than not live with their families in or near the communities in which they work, and who invest their persons and their minds in the functioning of the firm, constitute the adequate kind of internal constraint discussed at the beginning of this essay. Balanced with external—ecological—constraints, the potential for positive change is enormous.

> **Labor investors must be brought to the table, and put in a position to seriously weigh on firms' strategies.**

The decisions firms must make on how to meet standards for sustainable and shared prosperity cannot be considered as mere technical ones, recipes to be tweaked until the right carbon-neutral "energy mix" is found in each firm, or the right CSR charter of values is identified. Such decisions require a dramatically different conception about how to govern these stakes. In fact, a radically democratic conception is needed, one that takes into account goals of both efficiency *and* justice, goals far more likely to be harnessed together within firms if the views of all of their investors—of labor and of capital—are involved. Only democratising the government of firms can produce such qualitatively different decisions, decisions that address both the goals of a firm's activity (what is produced, which services or products are sold) as well as how that activity is carried out (the organisation of time, space, and life in the workplace and beyond) in order to reach suitable environmental standards.

The epistemic superiority of democracy (Landemore 2012) must become a central concern of the transition to a post-carbon economy, not just for the sake of individual firms, not for the economy alone, but also because it is reasonable to expect that transitioning firms to democratic government will give momentum to a virtuous cycle: there is every reason to anticipate that democratised firms would view the action of (democratic) states in a less adversarial way. Necessary external environmental constraints to firm activity imposed by democratic states would be more clearly anchored in the minds of citizens as being created by their representatives and for their benefit if those same citizens were living civic lives in their workplaces, too. It is also to be expected that capital investors, implicated alongside labor investors, would become more anchored in the concrete reality of their own investments, and would benefit from a more direct understanding of the reality of the

worklives of firm employees that would lead to a deeper understanding of their firms' impact, including negative externalities, on the world.

If we would like this transition to occur (the survival of our planet, and our fate on it is at stake!), if we wish to reach decisions that will actually lead us to experience shared and sustainable prosperity (our survival as democracies is at stake!), then leaving the government of firms to capital investors is certainly *unreasonable*, *illegitimate*, and highly *unintelligent*—the three reasons given in constitutional theory and the philosophy of law for the superiority of bicameralism over monocameral systems of government. Given the gravity of our current circumstances, labor investors must be brought to the table, and put in a position to seriously weigh on firms' strategies. This internal constraint on corporate governance will prove a decisive complement to external environmental constraints if we, as humanity, are ever to achieve a transition toward shared and sustainable prosperity.

* * *

Acknowledgements

I wish to warmly thank Tim Jackson for the invitation to write this essay, as a first attempt to articulate the contribution of my work on the firm to the perspective of shared and sustainable prosperity. I also wish to include Isabelle Cassiers in my expression of gratitude, as more than 10 years ago she invited me to engage with the perspective of rethinking prosperity. Our work together at Louvain in the context of her research group has been a great source of inspiration. The conclusion chapter of her edited volume actually set the framing for this present essay: Robert Boyer, Isabelle Cassiers and Isabelle Ferreras, Conclusion: «Who Will Redefine Prosperity?» in *Redefining Prosperity*, Isabelle Cassiers (Ed), 2015: London-New York, Routledge, pp. 162-169. Dominique Méda has greatly influenced my thinking on these issues, and I thank her for her outstanding leadership in the study of both the realms of work and prosperity. I am also grateful to Miranda Richmond Mouillot for ever outstanding editing, and more, of my English. The shortcomings of this essay remain my own despite perfect guidance and feedback from Will Davis and Tim Jackson.

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Endnotes

1 | Ideas presented here, in particular the perspective about work being an expressive experience, the firm a political entity, and capitalism a specific type of political regime of government, and the history of bicameralism as relevant to envision reforming the government of firms has been developed in my own research. For an overall view, see (Ferreras 2017).

2 | It is beyond the expertise of the author to enter in a discussion of the appropriate timeline, and IPCC guidelines have authority and should take priority. According to many, the EU timeline is far too optimistic, and should be reined in to 2030, rather than its current target of 2050. Additionally, the price per ton of CO2 is currently too low to function as an incentive for change in firms, and should be raised if the system is to be truly effective.

3 | See the Carbon Majors Report, last updated August 2018: www.climateaccountability.org

4 | About practices of worker involvement developed by innovative business in the past decade, see the practices inspired by self-defining "liberated" firms (Carney & Getz 2009) and "reinvented" organisations (Laloux 2014) pushing toward more horizontal decision-making processes, as well as "sociocracy" and "holacracy" as modes of self-management. For empirical and growing evidence of this reality, see the How Report 2016 (howmetrics.lrn.com). Based on comprehensive data collected from 16,000 employees in 17 countries, the data shows that self-governing organisations organised along some of the practices just mentioned outperform their peers, and generate increased worker satisfaction.

5 | The most popular has been Graeber (2018)'s critique of "bullshit jobs." Informed by Habermas' (1971) conception of emancipation as a knowledge-constitutive interest for the critical sciences, the perspective of our own work, inspired by Erik Olin Wright's *Real Utopias* anti-cynical approach, sees social scientists as responsible for identifying the potential contained in reality, however dark it may be, and helping it to flourish.

6 | Indeed, research has proven that above a certain threshold, the nominal value of compensation, even increasing compensation, has no impact on worker performance. See (Pink 2009).

7 | Some renewed attention has been given to the issue. See in particular Anderson 2017 ; Blanc and Al-Amoudi 2013 ; Dejours, Deranty, Renault and Smith, 2018 ; Herzog, 2018 ; Néron 2013.

8 | Particularly salient is the example of Google, which set up an internal group to learn more about teamwork and the best way to build productive teams. "The project, known as *Project Aristotle*, took several years, and included interviews with hundreds of employees and analysis of data about the people on more than 100 active teams at the company. The Googlers looked hard to find a magic formula—the perfect mix of individuals necessary to form a stellar team—but it wasn't that simple. "We were dead wrong," the company said," and ultimately concluded, against their own expectations, that "the best teams respect one another's emotions and are mindful that all members should contribute to the conversation equally. It has less to do with who is in a team, and more with how a team's members interact with one another." (qz.com/work/625870/after-years-of-intensive-analysis-google-discovers-the-key-to-good-teamwork-is-being-nice/) These findings are clear cut: the expectation of equality as a fundamental principle for organizing the "conversation" and "contributions" speaks for how work is fundamentally an experience that mobilises people's conceptions of democratic (in)justice.

9 | "We believe that Google should not be in the business for war," its employees stated in a letter publicised by the *New York Times*: nytimes.com/2018/04/04/technology/google-letter-ceo-pentagon-project.html

10 | "As the people who build the technologies that Microsoft profits from, we refuse to be complicit," the employees said in the letter, obtained by the *Seattle Times*. "We are part of a growing movement, comprised of many across the industry who recognise the grave responsibility that those creating powerful technology have to ensure what they build is used for good, and not for harm." https://www.seattletimes.com/business/microsoft/microsoft-employees-call-on-company-to-cancel-contract-with-ice/ June 19, 2018

11 | wsj.com/articles/inside-twitters-long-slow-struggle-to-police-bad-actors-1535972402

12 | theguardian.com/technology/2018/nov/01/google-walkout-global-protests-employees-sexual-harassment-scandals

13 | Based on extensive research of more than 35,000 leaders and interviews with 250 C-level executives led by Rasmus Haugaard and Jacqueline Carter, *The Mind of the Leader,* just out from Harvard Business Review Press (2018), concludes that "organisations and leaders aren't meeting employees' basic human needs of finding meaning, purpose, connection, and genuine happiness in their work. 77% of leaders think they do a good job of engaging their people while 88% of employees say their leaders do a bad job with engagement, and 65% of employees would forego a pay raise to see their leaders fired." This speaks volumes about the extent to which employees put their own conceptions of justice before economic gain. Unsurprisingly, the solutions put forth in the business literature are individual-centered (ever more leadership training…), and never structural.

14 | See the most complete study carried out in the United States on American workers' expectations regarding representation and participation in work (Freeman & Rogers 2006). A figure stands out: in the United States, which is traditionally considered to be rather hostile to unions, unionisation has now dipped below 7% in the private sector—but, at the time of the survey it was around 10. Yet, 90% of American workers stated that they were in favor of a form of independent organisation for employees in their companies, whose purpose would be to represent workers and communicate their viewpoints to management.

15 | I do agree with Marxists about the potentially destructive nature of capitalism's internal contradictions. I differ from Marx or the Frankfurt School, however, in that I do not see democracy as an ideological layer superimposed on the capitalist structure of society. Rather, I see it as a full alternative, as a potential underpinned by a lively critical intuition that challenges the current ordering of social forces within the capital-

ist system, and, which thus have powerful subversive power against the status quo.

16 | Coutrot (2018) analyzed workers' voting behavior in France's last 2017 presidential elections, and found that voters whose work was closely monitored and controlled (that is, who had little to no autonomy in the way their work was organised) were significantly more likely to either vote for the extreme right candidate Le Pen or abstain from voting.

17 | Note that it is therefore inappropriate to discuss the question of firms in terms of property rights: although economic theory refers to a firm's owners, firms, like corporations, fall outside the scope of the concept of property. As Robé has shown, it is empirically wrong and legally unfounded to describe firms as having "owners," as says the economic theory: the shares of a corporation are owned by its shareholders. And yet this legal reality has gone completely unnoticed by even the world's most distinguished economists, who continue to base their economic theories "of the firm" on the fallacy that it has owners. In his 2016 Nobel acceptance speech, for example, Oliver Hart, discussed the "control rights" of the "owner of firm." Mobilizing to Habermas' concept of the knowledge-constitutive interests served by science, it is reasonable to ask whose interests are served by maintaining this fallacy (Habermas 1971).

18 | For more on the political history and theory of the *corporation*, see the groundbreaking work of Ciepley (2012). The perspective proposed here rests on a political theory of the *firm* (Ferreras 2012, 2017), which, by encompassing the history of industrial relations, offers a somewhat different perspective from Ciepley's focus on a political theory of the *corporation*. Our own perspective takes the *Reductio ad Corporationem* (Ferreras 2017) seriously, and instead of suggesting we salvage the corporation from its capital investors, suggests we complete the process of organizing its power structure according to standards that live up to our democratic commitment as a society. If we take the difference between the corporation and the firm seriously, we must spend more time envisioning how to seriously organise the representation of labor investors, rather than falling for the siren song of Corporate Social Responsibility (for a recent great example, see Mayer 2018), which never fundamentally contests shareholder primacy, but is built on the assumption that capital investors are the legitimate constituency of the firm, as it remains conflated with the corporation.

19 | On the similarities between firms and states, to justify using the tools and concepts of political science and political theory to study firms, see (Landemore and Ferreras 2016); for a thoughtful critique justifying the specifics of the disanalogy, see (Singer 2018).

20 | This is not to say that workers do not have access to other forms of organisation: it is legal in many places for them to organise in unions, for example. My point here is that they possess no institutional mechanism *within* the firm and *equivalent* to the corporation through which they are able to have an equal say in the government of their firms.

21 | Aristotle (350BC) viewed despotism as fitting in the case of the master-slave relationship, belonging to the private sphere: the master (*despotes)* command, and the slave executes, and has no access to any form of autonomy whatsoever. This conception cannot fit the type of government needed for firms in a service-based economy which embed work into the public sphere. See (Ferreras 2017).

22 | Again, I am intentionally employing this Aristotelian terminology, as it is powerfully revealing: "household" is the Greek *oikos*, which, as you recall, gave rise to the word "economy"—the law of the household.

23 | In the tradition of Pizzorno (1978)'s seminal thinking on "political exchange," I refer to an analytic rather than a practical distinction, which I have put forward with Jean De Munck, identifying three dimensions of what we called "democratic exchange:" deliberation, bargaining, and experimentation (De Munck and Ferreras, 2012).

24 | Theories explaining the dominance of capitalist firms have mainly focused on their so-called efficiency, and the relative inefficiency of worker-cooperative firms. Yet, a broader assessment that takes into account how difficult it is for such firms to gain access to significant capital investment within the context of a capitalist economy goes much further in explaining the difficulties such firms face as they seek to develop and compete. See (Sumit and Smith, 2008).

25 | *New York Times,* 8 May 2019: "Uber Drivers' Day of Strikes Circles the Globe Before the Company's IPO" (nyti.ms/2Wy0uzt)

26 | As this battle continues, this stance is being taken more and more frequently in Courts; see, for example, in May 2018, the major decision by the California Supreme Court to limit the right of platforms to classify their workers as independent contractors. The same decision was handed down by France's highest court in November 2018. And the political debate over this question is ongoing: the New York State Department of Labor has ruled that Uber Drivers are employees ("Uber Drivers to Strike Before I.P.O" *New York Times*, 7 May 2019 nyti.ms/2ZTQu5E), while the United States Labor Board has ruled they are contractors (See "Uber Drivers Are Contractors, Not Employees, Labor Board Says" *New York Times,* 14 May 2019, nyti.ms/2VARddv).

27 | This a key difference compared with *Mitbestimmung*, which is a monocameral system and requires a simple majority in a single chamber. Under such conditions, even under perfect parity condition (which is rare), it is easy for the employer side to obtain a majority as just one vote from the labor side is enough to meet such threshold. For more details on differences between these two systems of government see (Ferreras 2017)

28 | See the database over EWCs maintained by the European Trade Union Institute: ewcdb.eu

29 | wired.com/story/amazon-shareholder-resolutions-not-going-away/

A prosperous society is concerned not only with income and financial wealth, but also with the health and wellbeing of its citizens, with their access to good quality education, and with their prospects for decent and rewarding work. Prosperity enables basic individual rights and freedoms. But it must also deliver the ability for people to participate meaningfully in common projects. Ultimately, prosperity must offer society a credible and inclusive vision of social progress. The over-arching goal of CUSP is to contribute to that essential task.