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Firms as Political Entities. Saving Democracy through Economic Bicameralism

Jean-Philippe Deranty

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BOOK REVIEW

Firms as Political Entities. Saving Democracy through Economic Bicameralism, by Isabelle Ferreras, Cambridge, Cambridge University Press, 2017, 213 pp., £75 (hardback), Paperback edition, March 2018, £19, ISBN 978-1-108-41594-1

In *Firms as Political Entities*, Isabelle Ferreras mobilises her expertise in the sociology of work and political theory to argue in favour of a new approach in current debates on how to "save democracy", or to further "democratise" ailing democratic systems. Ferreras' starting assumption is shared by many of the scholars who have reflected on democracy in the workplace: namely that today's liberal societies harbour a major democratic deficit to the extent that workplaces, in which most of the population spends a large amount of its life, are organised in wholly undemocratic ways, as the current interpretation of labour contracts places employees in situations of extensive subordination to managers and business owners. This subordination is expressed notably in the absence of employee input in relation to most of the aspects of what concerns their own activity, from the goals that are set to it, to the conditions, economic, ergonomic and organisational, through which that activity is organised. Contemporary liberal democracies are supposed to run on the fundamental principle of the equality in status of all citizens, an equality which translates into the political right of all members of the polity to contribute to the decisions that affect them, and yet such fundamental principle is denied and the opposite principle in fact rules in workplaces, one of the social spaces, which affects people the most in their identity and well-being.

Ferreras' solution to resolve this democratic contradiction turns on a democratisation of work that would parallel the democratisation of the larger public sphere. Her argument is as follows: since we want to introduce democracy into a social space in which, up until now, it has not been allowed in, we should draw inspiration from the history of democracy itself, which was also a history of gradual introduction of democratic practices into spaces that were undemocratically organised, and apply what we learn from such history to workplaces. The history of the realisation of the democratic idea shows that the most effective constitutional arrangement for it entails two key features: first, a separation between the different powers inherent in the government of the collective by itself; and second, at the level of the legislative arm of that government, a representation through separate political bodies of the diverging interests of the groups making up society. The division that structures all human societies is the division between rich and poor, or between the elite and the demos. Bicameralism, since the times of the secession of the plebs in the beginning of the Roman Republic, has been the solution that societies have consistently resorted to when they have tried to address social division through a political institutionalisation of conflict. Bicameralism, which has proven historically to be the institutional condition for effective democracy, should therefore be introduced into workplaces. This translates into the following, concrete proposal: next to the "chamber" representing the interests of the owners of the firm, which takes the form of boards of directors elected by the collective of shareholders, there should be another "chamber", the body representing the interests of, and allowing an expression of voice for, those other members who invest not their money but their very person, through their work, in the productive entity. A consistent implementation of the democratic ideal thus requires that we extend political bicameralism into economic bicameralism.

To substantiate her proposal, Ferreras organises her book in three parts. In the first part, she reconstructs the historical movement that saw working activities, and the people performing

them, gradually exit the realm of "private spheres" (typically the *oikos* of the Greek household) and enter the public sphere. A crucial factor in this development has been the labour movement, whose struggles imposed its recognition as a public force, first through the recognition of its right to collective bargaining, and, at the peak of industrial society, by becoming one of the structural agents, next to the representatives of capital and the state, involved in the management of society. The outcome of this historical reconstruction is that there is no justification for not applying democratic norms to that specific social sphere that is the workplace. To this historical argument, Ferreras adds a social-theoretical one: with the shift from industrial to "post-industrial" society, in which most of the productive activities are based on services, working activities become intrinsically social or "public", in their very features. Working in the service industries means being involved in interactions with other social members as a necessity. This makes work an inherently public activity, and in turn an inherently political one, since it thereby comes under the sway of the modern norms regulating social interaction, and as a result becomes an object in the debates and struggles concerning the fair application of these norms.

The second part of the book consolidates the argument about the public dimension of working activities and their intrinsic political character. The political nature of modern work relates to two features more particularly: the fact that, at work, workers interpret their relations with others (management, co-workers, clients) through the lens of justice; and secondly, because they experience these interactions with others also in terms of how they should position themselves within them, from a combination of prudential and normative considerations. As a result, Ferreras concludes, "because workers mobilise an understanding of the work-related situation through the lenses of justice and because they mobilise it in the context of the continuous experience of placing themselves within a collective – we must conclude that the core of work experience is *political*" (90). If we focus on firms, as the space in which most work occurs today still, then Ferreras argues, we need to develop a "political theory of the firm".

This idea that the theory of the firm should be a political one, one that emphasises the political nature of work and of social relations within capitalistic firms, is at the heart of the original approach developed in the book and underpins Ferreras' concrete proposal for economic bicameralism. It is with the help of this new approach that Ferreras addresses the most serious objection to her bicameralist blueprint: namely, why the solution she endorses has not been realised yet, even though, according to her, it follows logically from the principle of democracy at the heart of modern society. Drawing on vast array of scholarship across a number of disciplines dedicated to work (labour and corporate law, organisational sociology, labour economics, philosophy), she seeks to show that a decisive intellectual confusion was created regarding the interpretation of the normative underpinnings of modern workplaces, an obfuscation associated with liberal political theory and entrenched in modern theories of the firm. This mystification produces the collapse of a crucial distinction between two senses of the firm: on the one hand the firm as an institution organising production and involving groups with diverging interests; over against the corporation, a legal entity "founded by a group of capital owners who organise themselves using a certificate of incorporation" (95), which issues shares to those who contribute to that investment, shares to which are attached voting rights and property rights. Whereas the firm pursues a number of different goals, beyond the narrow capitalistic goal of profit-making, notably "expressive" goals for the individuals involved in working activities, the corporation pursues a single goal, namely to maximise the return on investment for the shareholders. The great obfuscation at the heart of contemporary capitalism has been to make of the legal creation that is the corporation the sole normative reference point in defining modern workplaces, and thus to reduce the

complex institution of the firm, with its multiple constituencies, to being only a private property of the shareholders whose sole purpose is the maximisation of their investment. This gesture made of the shareholder collective the sole repository of control and power in the firm's organisation, and handed over to it the entire ownership of the value created by the firm's activities. Chapter 5 details how such a conceptual sleight of hand drew on the narrow, utilitarian conception of the human being and of human interactions at the heart of the emerging economic science; how it was entrenched through successive stages of legal and political decisions across Western nations; and how it was finally crowned by modern economic theories of the firm.

Once the fundamental confusion about the exact nature of the modern corporation is revealed, and the real economic institution, the firm with the different groups involved in it, is identified, Ferreras believes a twofold answer can be given to the realist objection against bicameralism. With the political theory of the firm replacing the narrow economic one, we can retrace the ideological, legal, political and scientific steps that were taken to ensure that only one set of interests was taken into account when conceptualising economic organisation, namely the interests of shareholders. In other words, we can explain why the bicameralist solution, which follows logically from the democratic ideal, has not yet been implemented. And we can see what it would take for this to occur. The third part of the book presents the full justification and detail for this bicameralist solution, a proposal as simple as it is radical, based on the idea that true democracy should be democracy all the way, which means a representation of all interests, which means in turn, within the institution of the firm, a representation of the interests of those who follow an instrumental rationality by investing their capital in the business to receive profits from it, and a representation of those who follow an expressive rationality and invest their person in the business through their work.

The book's strengths are many: Ferreras mobilises a substantial amount of scholarship to make an original proposal with substantial implications for both the theory of work and for democratic theory. Her defence of an institutionalisation of workplace democracy by reference to the history of democratic practices provides an important, original addition to the literature on workplace democracy. Similarly, her original defence of workplace democracy adds an original element to current reflections on how to strengthen democracy. Ferreras situates her proposal within the study of Erik Olin Wright's "concrete utopias" and adds a whole new, thought-provoking wing to this project. Some readers will undoubtedly find weaknesses in her argument. She rejects stakeholder theory because it accepts the mainstream, corporate conception of the firm, but one important insight that is gained from stakeholder theory is the multiplicity of missions and forms of social relations around modern firms. Ferreras' study of the firm remains focused on its internal life, and the rationalities within it. Beyond the financial and expressive rationalities of investors and employees, one could argue that other rationalities need to be considered, in particular, the broader economic one of the fulfilments of socially defined needs, what we might call the productive rationality. This rationality runs up against other social rationalities to the extent that production often impacts negatively on society, for instance in relation to environmental degradation and resource sustainability. The account of the firm provided in the book doesn't seem to encompass those dimensions involving social groups situated outside the firm but impacted by the firm. A thorough political theory of the firm would arguably need to take these other groups into account. Critical readers might also wonder whether the direct application of political theory and of the general history of democracy to the firm does not paper over key differences regarding the structures and modes of functioning of different institutional realms. It is not necessarily clear that one is justified in directly applying what is valid for one sphere (how democracy is implemented in the public) to another (what democracy might mean within the firm).

These potential criticisms, however, should not detract from the great contribution this book makes to current reflections on workplace democracy and democratic theory.

Jean-Philippe Deranty
Philosophy, Macquarie University
jp.deranty@mq.edu.au http://orcid.org/0000-0003-3860-4371

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