

# Democratizing the Corporation: The Bicameral Firm as Real Utopia\*

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**Isabelle Ferreras**

*FNRS/University of Louvain*

## Abstract

In the context of capitalist democracies, the contradiction between people's expectations of equality and the subordination they experience at work is intense. I argue that it is the defining experience of the contradiction between capitalism and democracy. Capitalism grants political rights to property owners, while democracy grants political rights to the citizens recognized as equals. They are thus regimes of government that distribute rights in dramatically different ways. This essay is grounded in the understanding that firms are best analyzed as “political entities,” and workers as “labor investors,” and have thus a legitimate right to bear on the government of their work life. Examining the history of how political entities have become democratic through the innovation of bicameralism provides a “real utopia”: economic bicameralism, that is, a set of patterns that may be applied to democratize and transition the corporate firm beyond capitalism.

## Keywords

government of the firm, corporate governance, contradiction between capitalism and democracy, democratization of the corporation, labor investment, critical intuition of democratic justice at work, economic bicameralism, democratic renewal, real utopia

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## Corresponding Author:

Isabelle Ferreras, UCLouvain/IACCHOS/CriDIS, Place des Doyens 1/L2.01.06, 1348 Louvain-la-Neuve, Belgium.

Email: [isabelle.ferreras@uclouvain.be](mailto:isabelle.ferreras@uclouvain.be)

The subordination of everything to the single aim of monetary profit leads industrial government to take the form of absolute monarchy. Monarchy has a certain simplicity and convenience; but in the long run it is seldom the best for all concerned. Sooner or later it leads to insurrections.

—Morris R. Cohen, “Property and Sovereignty” (1927)

In “capitalist democracies,”<sup>1</sup> the consent to government and its laws is based on individuals being recognized as “free and equals in dignity and rights,” to quote Article 1 of the Universal Declaration of Human Rights. This is the underlying principle of government when it comes to the affairs of the *polis*, a principle that gives individuals voice and the ability to hold those in power accountable via the mechanism of elections by universal suffrage and the constitutional separation of powers.

In most workplaces, however, another principle of government prevails: capital owners are granted (nearly) exclusive political rights by virtue of their capital investment in the firm.<sup>2</sup> Workers, by contrast, have little to no voice, nor any significant capacity to hold those in power accountable. Particularly in nonunionized workplaces, workers are simply disenfranchised, unequal in rights to a degree that strips them of their dignity.

Work in “capitalist democracies” is a contradictory experience:<sup>3</sup> capitalism applies but democracy defines the larger cultural context; in the workplace, the opposite is true. This contradiction arises from the fact that capitalism and democracy are two different forms of government that distribute rights in dramatically different ways. Capitalism grants political rights—specifically, the right to govern—to property owners (i.e., shareholders), while democracy grants political rights to all people, based on the ethical commitment to recognize and treat each other as equals. In a democratic society, political entities are run according to this democratic ideal. In a capitalist economy—even one functioning under the aegis of a political democracy—firms are run according to the capitalist principle of political power allocation. Workers have no political rights to govern their work life, despite the fact that firms govern the everyday lives of workers. Whether we are accustomed to thinking of democracy as a system of government or as a way of life, firms are undemocratic political entities, exercising untransparent and often unchecked control over the lives of their workers. The contradiction between people’s expectations of equality in the greater political community and the subordination they experience at work is intense. For many workers, in everyday work life, this contradiction glimmers through in words of anger or of resignation, in ordinary indignation, in gestures of discouragement or exasperation, in lack of motivation or quiet resignation, absenteeism, or lagging innovation. More intensely and more personally, it may take the form of workplace suffering, which runs the gamut from nagging physical and psychological problems to burnout and work-related suicides. In the end, it even undermines the viability of the democratic project in the *polis* by contradicting it from within: the absence of autonomy at work and/or collective representation has been shown to feed antidemocratic electoral attitudes,<sup>4</sup> to a degree that threatens the viability of political democracy itself.

The *contradiction between democracy and capitalism* is rapidly reaching a point of crisis, washing away the credibility of democratic governments, drowning all faith that “the system”—that is, political democracy in its current form—can actually address the grave problems citizens face today in the context of rising levels of economic inequality and uneven access to such vital resources as education, health, and transportation, food, clean air, and water—in short, a livable environment. The idea that workers have a legitimate right to participate in the government of their work life, where they invest the vast majority of their time and effort, has been receiving renewed attention<sup>5</sup> as the need to inject new life into our political democracies becomes ever more urgent. Yet, our concern is even broader than that:<sup>6</sup> corporations are the key extractive institution of the Anthropocene. They have enabled our disastrous relationship with the planet through prioritizing profits for capital investors above every other consideration, leading us to climate collapse and the destruction of all that makes the earth an inhabitable planet for every living species. The project to strengthen, “deepen and extend democracy,” in the words of Wright and Rogers,<sup>7</sup> by democratizing corporations is therefore a cornerstone of any project that would help the world to move beyond this crisis point in the contradiction between capitalism and democracy while respecting planetary boundaries. How to get there remains a momentous challenge, and tackling it is the task of the present essay and the “real utopia” of firm democracy it describes.

## Capitalism and Democracy: A Contradiction at Its Breaking Point

The political regime governing workers’ everyday lives outside the workplace has evolved faster over time than the political regime governing their lives inside of it. In the workplace, work is still carried out under a specific regime known as *employment*, which we are accustomed to framing as an “economic” one, firmly established within a “free” market. This has caused us to lose sight of the fact that, empirically, it is a political regime of government, and one that establishes the *subordination* of workers, who sign most of their freedom over to their employers for the duration of their employment. The very word “economy,” which comes from the Greek *oikos-nomos*, meaning “household management,” contains the ghost of the master-slave relationship, which was central to the ancient Greek *oikos*. Aristotle, tellingly, described this primitive employment relationship as despotism,<sup>8</sup> and it has survived in employment arrangements even as industrialized production and contractualized labor have become the norm. Essentially, over time, people have gained the right to sign *themselves* into slavery for limited times, rather than someone else signing them over.<sup>9</sup> But farm, factory, shop, and workshop have all continued to be governed as closed *oikoi* privately managed by a “master” (or her delegates), which standard economic theory identifies as principals. This subordination is occasionally reflected in the language of work; until recently, workers were often known as “hands,” and their employers as “masters.” Elizabeth Anderson describes workplaces as enclaves in which “private governments” rule the lives of otherwise free citizens.<sup>10</sup> However, Ireland reminds us that earlier in the history of industrial capitalism, legal realists in corporate law were

already noting that the rights exercised by employers were “most accurately seen as delegations by the state . . . ‘of a discretionary power over the rights and duties of others,’ which is not subject to direct democratic control.”<sup>11</sup> These rights are a form of what Hale called “private government,” delegations of public authority to ‘unofficial minorities.’”<sup>12</sup>

Outside the workplace, workers are expected to behave as responsible citizens, as voters capable of taking a stance on major political and social issues. They are expected to behave with respect toward others, to treat them as equals “in dignity and rights.” At their jobs, by contrast, where they are arguably the most qualified to assess situations and make decisions, workers cease to be equals. Instead, they become “subordinates” thanks to the labor contract—tools, resources, “human capital.” The latter term acquires an eerie ring when one realizes that firms are unilaterally governed by those who inject capital in the economic endeavor while those who invest their own labor in it have no say.

This contradiction was reinforced by the dominant tradition of economic liberalism in the West, according to which anything economic is not public<sup>13</sup> in the sociological sense of a specific “interaction regime”<sup>14</sup> (rather than in the sense of state owned or run). In the dominant tradition of economic liberalism, an employee stepping into her workplace steps into the *oikos*, the boss’s “household” where (the boss’s) house rules apply. This tradition also assumes that there is an *owner* of the firm, an assumption that is nonsensical from a legal standpoint as we shall see further on.<sup>15</sup> Neoclassical economics as a field, and particularly the economic theory of the firm, has nevertheless continued to endorse this assumption,<sup>16</sup> and models of work organization and customer service relationships prevalent today take for granted the subordination of the employee to the employer and the customer. Whether labor is viewed as the “labor input” in the capitalist firm’s production equation or the material manifestation of the dystopian ideal Marx described as driving capitalism, a relationship of domestic subordination governs work. To a Marxist, this leads to a specific form of alienation. To a neoclassical economist, it is merely efficient. In either view of the firm, the governing logic is one of instrumentality: by choice or by necessity, workers are employed, that is, subordinated, so that a firm’s capital investors can make money; at the same time, workers submit to employment in order to make money for themselves.

## The Critical Intuition of Democratic Justice at Work

For firms focused to any degree on service performance and innovation, and for the employees who drive them, describing the employment relationship as instrumental is reductionist at best. In a service context, employees draw on all dimensions of their human selves; indeed, the ability to do so is central to their work. This is true of high- and low-skill workers alike. A survey of the growing literature in talent management shows that performance in the workplace depends on workers feeling involved with the tasks they perform.<sup>17</sup> The more employers try to reduce their workers to selfless cogs in well-oiled systems, the more they increase turnover, sick days, work-related injuries and mental illness, and burnout, which are detrimental to the lives of firms, as well as disastrous for their employees.

Extensive research in the sociology, psychology, and anthropology of work has shown that people's attitudes to work go well beyond the instrumental (i.e., work being carried out for a wage),<sup>18</sup> meaning that not only do workers experience being treated as instruments as unjust, they also do not feel that their own relationship to their work is instrumental. Certainly, they define it as "earning money to be able to meet your needs outside of work." But at the same time, individuals *also* perceive their relationship to their work in expressive terms of *meaning*: it provides social inclusion, a sense of usefulness provided, a sense of autonomy in one's ability to conduct one's own life, and/or a sense of mastery (the intrinsic value of work).<sup>19</sup> For people engaged in labor that we are accustomed to defining as meaningful, such as doctors, teachers, or scientists, this may seem obvious. Certainly, sophisticated firms are increasingly aware of this. They expect high levels of commitment, motivation, and loyalty from many of their workers and may even offer a great deal of autonomy in return. But sociological research has shown that it 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.<sup>20</sup>

Because both the liberal tradition and critical social theory have largely failed to expand the scope of the public sphere to include the firm,<sup>21</sup> the implications of this beyond mere issues of worker motivation have been largely ignored. However, as I have highlighted in my own research, a fundamental dimension of what lies at the heart of the work experience is people's own conceptions of justice.<sup>22</sup> Questions of what is just, right, or fair are part of everyone's work, beyond the more classic industrial perspective, which tends to focus on compensation, work rhythm, and safety.<sup>23</sup> While these concerns remain as valid and important as ever, especially in the gig economy, the questions employees feel they should be empowered to address are broader than that, and widening, in scope.<sup>24</sup> Virtually every labor dispute speaks to the centrality of conceptions of justice in workers' work experience.<sup>25</sup> Even asking for a pay raise is often couched as an issue of redistributive justice. As our economies embrace automation and artificial intelligence, it seems unlikely that the human experience will become less important to our knowledge economy; rather, workers will be increasingly sought after for their emotional and social skills. While more and more "technical" decisions may be left to robots, firm efficiency will depend more than ever on the quality, the expertise, and the motivation of what it would be far more appropriate to call its *labor investors*.

As I detailed elsewhere,<sup>26</sup> workers have a *critical intuition of democratic justice* at work as they experience their work as a *political experience*, that is, an endless experience of mobilizing their own conceptions of justice vis-à-vis decisions that concern them and others. They experience working as embedding them into the *public* sphere of the democratic society, in Habermas's sense.<sup>27</sup> This understanding is anchored in the notion that (working) people expect to be treated as equals "in dignity and rights" in the public sphere, which includes their work life. I argue that this critical intuition extends to equal access to voice: they ought to be heard and represented, as well.

For workers in low-skill service jobs, donning a cashier's smock or a server's apron does not mean shedding their desire for equal dignity. But equal dignity is often not a part of their work experience, and workers react to unfairness with a deep sense that

their voices are not heard. When serving others within the context of a commercial economic transaction that is regulated by a contract, workers, even if they have lost all hope of respect and fair treatment as they discharge the obligations agreed upon in that contract, remain aware of the injustice of their conditions. Whatever the *reality* of the labor contract in our liberal economies, the *subordination* that it enforces, the *democratic ideal* of our liberal societies hints at an unsettling question:<sup>28</sup> Why should interactions not be governed according to the ideal of equality of dignity and rights with which the public space in democratic societies is governed?

This question, arising from the contemporary work experience, flags an urgent problem. When this critical intuition of democratic justice goes unrecognized in the workplace, a great tension emerges, at times unstated, certainly underestimated, but clearly felt. To live in a “capitalist democracy” means, in particular, to live out this tension between one’s own critical intuition of democratic justice and the power structures of capitalism.<sup>29</sup> This tension between democracy and capitalism has great destructive power—not to destroy capitalism in the short turn but to destroy democracy instead. Democracies promise their citizens equality. But, even in political democracies, that promise has been shut out of the workplace. Workers are citizens, not instruments, and their civic lives are built around a promise of equal voice on which their work lives fail to deliver. Citizens aspire to and expect a voice in their lives and futures—in and outside the workplace—and the power structures of the contemporary corporate firm mute, deny, and even strangle that voice by granting exclusive *political rights* only to certain citizens, those with capital investments.

Workers are governed by the rules and decisions of the firm. It is improbable that a system so unresponsive to workers’ views, needs, and interests could meet the ideal of democracy or help advance it as a project for society. Workplace government should be compatible with, not contradictory of, the regime of government of our democratic societies. This means, to return to Erik Olin Wright’s words, “extending democracy”—from the *polis* to the *oikos*.

## The Capitalist Firm as a Political Entity Governed by the Corporation

The above considerations lead us to critically examine the firm as the institutional context that governs work life. There is no question that a firm has economic dimensions. However, these should not obstruct the sociological understanding of what a firm is: I have argued that a firm is actually best understood as a form of *political entity*,<sup>30</sup> which, as corporate scholars aptly point out, is owned by no one. The firm’s 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. Elsewhere, I have made clear that these two classes of investor form what should be understood as the two key constituencies of the political entity that is the capitalist firm. Their investments are mutually dependent: without one or the other, the firm would cease to function. It is an entity that affects the lives of many, who can be identified as stakeholders, including consumers and community members whose physical proximity means they

are touched by its activities. Capital investors are stakeholders, too. Labor investors, however, are not stakeholders for they are the only constituency literally governed by the rules and decisions of the firm.

In the context of societies who think of themselves as guided by the democratic ideal, this raises the question of the right of workers to organizing and representation equivalent to that of capital investors; in other words, through an institutional mechanism organized to grant them the right to participate in governing the political entity that governs so much of their life. In reality, of course, no such organization exists: firms are governed by capital investors, who organize their capital through the corporation. This is not to say that workers do not have access to other forms of organization: it is often possible (albeit difficult) for them to organize 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 a say in the government of their firms.

Shares may be bought and sold, listed and delisted. It is possible to know precisely who owns them. The same is not true of the corporation itself: legally, and contrary to what most people think, no one is the owner of a corporation; rather, they own shares in it. The corporation itself is, legally speaking, its own legal entity, owned by no one, a mere vehicle for organizing capital investments.<sup>31</sup> A *corporation*, in sociological terms, forms part but not all of the broader entity that is the *firm*.

Firms have no existence under the law. Only the corporation holds the legal personality that makes it possible for a business endeavor to operate in our social and legal systems. This historically contingent convention, created by states in order to delegate a portion of their power and their activities, has had tremendous impact. Through corporations, states grant business endeavors rights and responsibilities, shield their individual investors via the mechanism of limited liability, allow them to enter into private contracts for both labor and trade, and treat them as distinct, "real entities."<sup>32</sup> In the United States, for example, corporations' rights have come to include free speech—and, by extension, participation in the political life of the nation. Corporations organize the relationships of capital holders with one another,<sup>33</sup> yet, no matter how deeply involved in the day-to-day strategic operations of corporations shareholders may be, they are shielded and protected from personal accountability for the wrongdoings of those corporations by this mechanism.<sup>34</sup>

If the concept of ownership at the level of the entity cannot be applied to the corporation, it is even less applicable to the firm. It may be useful, at this juncture, to point out another entity no one owns, which is the state.<sup>35</sup> Similar to states, corporations have special tribunals, courts, and arbitration systems through which their problems are adjudicated and in which their voices are legitimate and heard. This is where the distinction between a corporation and a firm becomes descriptively helpful, as the corporate power structure comprises only shareholders; in other words, *not the entirety of the firm*. What about the firm and its constituents, then? What of 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, fails to describe or to represent the larger and very real entity of the firm.

## The Proposal: The Bicameral Firm

### *Against the Reductio ad Corporationem*

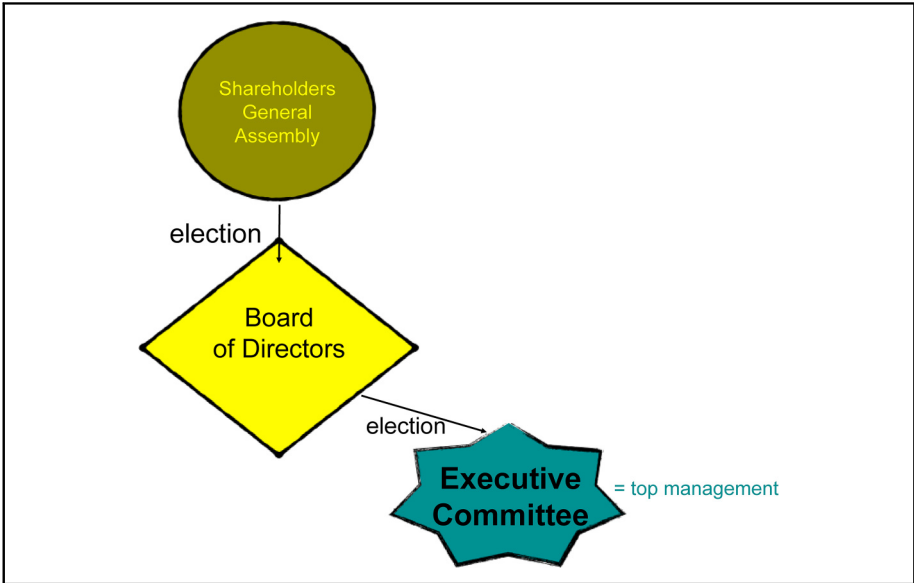
We call attention to these two tangible realities here because defining firms as political entities offers a new way to raise critical questions about firm government and accountability. It also opens the door to a rich vein of inquiry into the history of political entities, and, in so doing, points out a possible path to transition. The goal here is not to depreciate the institutional design already in place for capital investors in firms. It is highly developed, and recognized by corporate law; we wish to take it seriously. But we are suggesting that it is high time we abandoned the shortsighted notion that the corporation *is* the firm. Acknowledging that the firm is broader in scope and that it is a fundamentally political entity invites us to identify its constituents, and hence address the question of who should be recognized as bearing on its government. From the perspective of the critical social sciences, inquiry into the issue cannot stop at those legally organized and represented via the corporation. Having identified the firm's other constituency, its labor investors, in the previous section, it must raise the question of appropriate representative government for them, with proper institutional mechanisms and appropriate sets of rights and responsibilities. Currently, as Figure 1 makes clear, only those who invest in the corporation's capital, that is, the constituency of the corporation, have the right to representation in the government ruling a firm.

Let us now return to the contradiction between democracy and capitalism evoked above, to the tension between the idea that the capital owners of a firm's corporation have the exclusive right to its government, and the idea that all human beings ought to be recognized as equal.

Forging a path out of this contradiction by *extending* and *deepening* democracy into the economic realm is a way out of this contradiction. This means to include the capitalist economy within it. The other path out (i.e., going full capitalism including into the political sphere) would simply mean to give all significant voice and power to capital, in both the political and the economic realms.<sup>36</sup> We share Dewey's vision of democracy as an experiment, an ideal and a project, which offers a fluid and flexible way forward with the potential not only to inject new life into the democratic project, but into the economy itself, into a renewed and democratized form of (market) economy.<sup>37</sup>

If economic bicameralism has the power to move the economy beyond capitalism and enable society to choose a democratic future, it is a "real utopia," in Erik Olin Wright's sense of that term.<sup>38</sup> Historic struggles for emancipation are a useful reference point: they entail a release from slavery, guardianship, domination, and alienation, in which a specific category of the population is granted the same rights that others have already secured. The focus of other emancipation struggles has included colonies, slaves, ethnic groups, women—and workers. If democratic politics is losing credibility among today's ever-more disaffected citizens, the power and reach of global corporate firms are major culprits, and worker emancipation is more pressing than ever.<sup>39</sup> And





**Figure 1.** Today's capitalist firm governed as a corporation: a monocameral firm.

although the workplace is the locus of public life in which democracy is most lacking today, firms have managed to stay off our political radar. The centuries-long struggle for human emancipation must now set its sights on the corporate firm. In a world increasingly dominated by global finance capitalism, which threatens to crush a centuries-long struggle for democratic rights, the firm is the new frontier.

We have seen that the corporation is often taken for the whole of the firm—this is the *Reductio ad Corporationem* practiced by business leaders and capital investors,<sup>40</sup> and by the economic theory of the firm as well. This confusion, intentional or not, between the corporation and the firm has justified capital investors' exclusive right to the institutional channel of representation provided by the corporation, and thus exclusive say (or near exclusive, if meaningful labor rights exist, depending on national contexts) in the government of firms. As there is no equivalent institutional channel of representation for the firm's other main constituents, its labor investors, the nature of firm government is despotic.<sup>41</sup>

There is nothing new in the idea of granting voice to workers: labor laws in many countries provide for it, most broadly by guaranteeing at least minimal rights to organize through unions. Works Councils guarantee European workers the right to be consulted and informed on certain key issues. In Germany, the *Mitbestimmung* (codetermination) system grants representatives elected by workers an equal number of seats on the supervisory boards of larger corporations, although the chair is chosen by the capital side, which has a decisive vote. And yet, throughout the world, and even in the case of German codetermination (as shall be explored below), the government of firms has remained monocameral; that is, it features a

single-chamber legislature as a proxy for a single constituency. As specific systems of industrial relations have developed in different capitalist democracies, it is key to recognize these institutional settings and the collective rights gained by the labor movement as evidence of a general intuition that labor investors ought to have a voice in the government of the entity to which they make such a vital contribution and which governs their lives. But nowhere do any of these representative bodies have the weight of corporations in deciding the fate of firms—except, of course, in firms that are worker owned and governed.

Firms that are worker owned and governed, also known as worker cooperatives, represent the reverse of the despotic corporate firm, in that they are monocameral firms governed by labor investors.<sup>42</sup> While such firms live up to the ideal of democracy as applied to economic organizations,<sup>43</sup> they are a marginal presence in the economy. The issue this essay seeks to address is how to deepen democracy in the broader capitalist economy *as we know it* in order to build a bridge for nondemocratic firms to worker ownership and full democracy. It offers a voice-based strategy. The example of the monocameral worker-owned firm offers one obvious strategy—an ownership-based strategy: facilitate worker buybacks of their firms' capital. ESOP, or Employee Stock Ownership Plan, legislation in the United States has helped many firms to transition to being fully "worker owned and managed." While that is a key path, its focus on capital ownership is rigidly limiting. Extending and deepening democracy in economic life must also address the case of firms where capital investors are present and wish to remain so—and of lack of financing, since traditional financial institutions are generally reluctant to lend where worker initiatives are involved. Firms governed by capital investors who are not also its labor investors—that is, the overwhelming majority of workplaces—currently lack a strategy for democratization. Economic bicameralism proposes a solution to this problem.

## **From Despotism to Democracy: Identifying the Two Constituencies of the Political Entity**

Examining the history of how political entities became democratic offers some helpful patterns that may be applied to democratic transition for firms. This history, and in particular the history of democratic revolutions, reveals that shifts from despotism to democracy have often been managed through what I call a *bicameral moment*. By this I mean the moment when those in power realize that they must share that power equally or risk losing it altogether. The continued prosperity of Western societies has been made possible through these moments of emancipation, in which a dominated—and often more numerous—group in a given society secured the right to participate in government alongside the despotic majority. The first bicameral moment may be traced back to Roman antiquity (497 BC), when tribunes of the plebs were granted veto rights over all decisions made by the patricians; perhaps the best known is the creation of the House of Commons alongside the House of Lords in modern Great Britain. In each instance, a single institutional innovation was put in place, that of bicameral politics, engineered to generate productive compromise between two

constituencies with distinct and usually divergent sets of interests. The recognition of two chambers speaks for the recognition of two distinct types of constituencies.

A full-fledged transition from capital to labor-governed firms that preserves their monocameral institutional structure may be realistic in the case of firms with capitalization small enough to be fully acquired by their workers and properly managed by worker representatives who already possess the requisite skill sets, but this solution is not currently applicable to larger firms. The government of larger entities will require appropriate training and skilled upscaling to build governments worthy of that name that meet the three basic conditions for just rule: *legitimate*, *reasonable*, and *intelligent*. Our societies are in economic, democratic, and climate crisis. Firms are restructuring, offshoring, outsourcing, shrinking or closing, or actively fissuring in order to meet the never-ending demands of their corporations for return on investment.<sup>44</sup> These realities stoke popular anger; workers and citizens are losing motivation in the workplace and trust “in the system”; and authoritarian politicians are exploiting this to woo voters with regressive, demagogic political agendas. A bridge with comprehensible, legible architecture that has stood the test of time is needed. Economic bicameralism offers that bridge. Today, it seems ridiculous to imagine England governed by its landowners, to think of the House of Lords ruling alone. If we apply the same logic to the contemporary capitalist firm, it seems less reasonable—and less inevitable—that it be governed by a board representing its shareowners alone.

Some may argue that the state has a legitimate claim to governing rights over the firm.<sup>45</sup> The purpose of this essay is to provide one answer to the question of how to deepen and extend democracy. Direct state control over firms does not in itself provide a direct response to this goal. Our challenge today is to help firms—and the societies in which they function—to alter the economic fabric so that it can bolster a democratic and sustainable society.<sup>46</sup> Clearly, it is necessary to address both the internal requisites (appropriate sets of rights to be applied in the government of firms) and the external requisites (public ownership, competition, market design, antitrust regulations, consumer protection codes, environmental standards, etc.) for this, and crucial to acknowledge the role of the state in both. To promote these internal requirements, the state would need to promote and protect, via fiscal incentives and the law, firm structures congruent with its commitment to a democratic society. Economic bicameralism offers a firm structure for it to promote.

## Capital and Labor Investors

Our understanding of the capitalist firm is grounded in an investor model, not on a stakeholder model, viewing firms as comprising two constituencies, made up of incommensurable classes of investor: capital investors and “labor investors.”<sup>47</sup> In the context of capitalist democracies, capital investors, organized through the corporate form, enjoy a de jure and de facto power at the firm level. Labor investors, whose investment is at least as critical for the firm to produce anything, currently have no equivalent form.

Although exceptions may exist,<sup>48</sup> under the current conditions of global financial capitalism, there are no grounds for considering that capital investors have—by nature or culture—any greater loyalty to a firm than its employees, or desire its continued existence

or prosperity more strongly. In fact, capital investors are, as a rule, far more mobile and less committed.<sup>49</sup> In the context of publicly traded companies, because a labor investment is far less “liquid” than that of shareholders, the risk borne by labor investors is greater than that of capital investors. When a firm is in trouble, a capital investor might choose to sell her shares. All that will be lost to her—the maximum risk she has taken, in other words, thanks to the clause of limited liability—is the value of the share, which, at worst, drops to zero. The same is not true of labor investors, who cannot change jobs nearly so easily. Moreover, in cases where changing jobs require them to move homes or retrain to obtain new work, they may end up in debt—with less than zero, in other words.<sup>50</sup>

Theoretically, anyone who invests labor in a firm is eligible to be considered as one of its labor investors. This includes, but is not limited to, employees directly and contractually linked to the corporation’s representatives. Subcontracted workers, outsourced workers, and independent contractors are often just as vital to a firm’s operations, and in these cases, they have their rightful place in the constituency of labor investors. This does not necessarily extend to all subcontracted workers: a person working with a significant number of client-firms does not necessarily have a right to voice in each of them; a “home company” in which such an individual has a right to voice would need to be identified. However, a worker in a firm that manufactures products exclusively for a single company (parent or not) should most certainly be counted as part of the labor constituency of that larger firm, as the firm’s operations directly rely on this labor investment while, in return, the firm participates to actively govern the life of the labor investors via its decisions. In the platform economy, applying this new category of labor investors is crucial if we hope to successfully outgrow the current lack of employment contract. Those who contribute labor to certain endeavors in the platform economy often do so through significant investments of time that do not fit the category of wage work or imply any sort of (labor) contract; they are, nevertheless, crucial investors of labor, without which the risks undertaken by the capital investors would make no sense. As much as firms practice the *Reductio ad Corporationem* and do not want to recognize their responsibilities as employers, the concept of “labor investors” is crucial for research to identify which workers are part of the constituency of the firm and deserve representation in its government.<sup>51</sup> In specific markets, such as social media, users are content providers while their lives are governed by the decisions of the firm via its algorithms: the value of Facebook, for example, depends entirely on the content investments of its users. In such cases, there are good reasons to consider users as labor investors. This proposal hopes to draw attention to these open and pressing questions, and to offer a path to rebuilding solidarities across legal categories with the concept of labor investors.

## Stakeholders

This raises the question of the role of stakeholders—the broader community affected by the operations of the firm. Here, we recall the two categories of prerequisite for just firms identified earlier, and that firm governments are subject to *external* (public and state) regulation, which are just as vital to the project of extending and deepening

democracy.<sup>52</sup> In the context of the democratic state, stakeholder groups are already granted an indirect say through the choice of representatives in state government, whose role is to set the proper framework and regulate the activity of firms (through consumer protection, environmental regulation, etc.). I believe it is most appropriate for a wider array of stakeholders to be empowered to democratically influence the context and environment within which firms operate, and to limit or orient their development—but that these should be categorized in the first instance as *external*. This is particularly clear when it comes to ecological considerations, which should not depend on any given firm's willingness to make decisions that respect the concerns of some or all of its stakeholders. The matter of the environment should be central to public power's control over firms via proper regulatory frameworks and systems of sanctions. The same logic applies to the concerns of key stakeholder groups such as customers or affected community members. Pragmatically, though, it is reasonable to assume that the interests of those groups would be better known to labor investors, and therefore better represented by them, since, through their work, they are most likely to be in direct and regular contact with those stakeholders. Labor investors are also more likely to live in the communities they work in, meaning that a bicameral firm would be more likely to channel the views and concerns of a wider array of stakeholders. However, firms wishing to extend the voice of stakeholders could also decide to set up consultative bodies in order to better inform their own decisions.

It is to be fervently hoped that environmental protection policies will be developed and applied externally by the community and the state. In the meantime, economic bicameralism is a *real utopia*, a tool that will help to transcend the current legal limitations that bind firms to earnings-driven corporations, perceived as mere networks or as *nexus*es of contracts, with a view to better inserting them in the overall, and open-ended, political architecture of a society committed to the ideal of democracy and to fitting within planetary boundaries. It is only logical to assume that placing power in the hands of labor investors who live in the places that they work means placing more power in the hands of communities with a vested interest in remaining part of a viable ecosystem. The vital threat to our planet we now face is global: expanding democracy into firms offers a crucial tool for facing it.

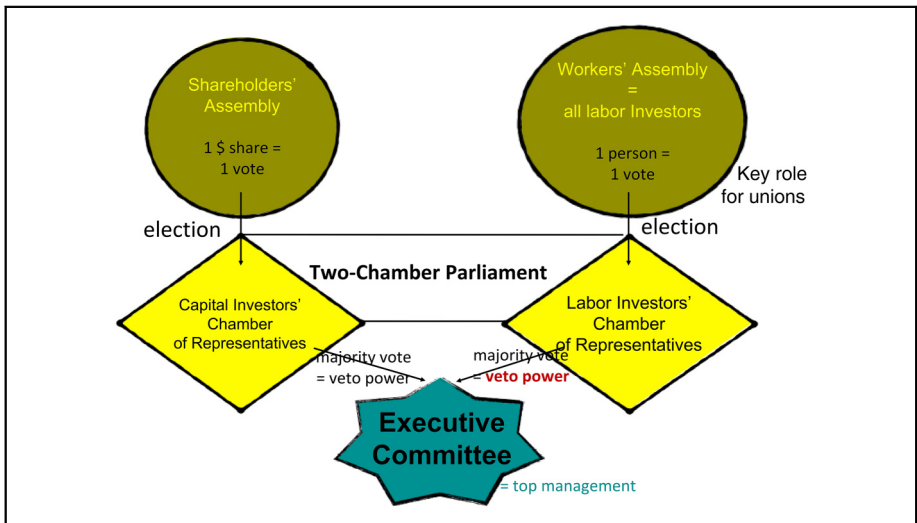
## Bicameralism as a Primer

*Economic bicameralism* describes an institutional design of firm government that takes seriously the legal and sociological difference between the corporation and the firm. It does not conflate them by attempting to bring labor investors into the government of the *corporation*, as do approaches such as CSR, false parity codetermination, and limited worker shareholding plans, which uphold the supremacy of the corporation by continuing to enroll labor investors in the projects of *corporate* government. Democratizing the firm ends the corporation's despotic power over the firm by giving labor investors true voice (i.e., collective veto power) in the government of this joint endeavor. The perspective offered here recognizes the fact that the corporation legally structures and organizes capital investors, proposing a parallel organization of labor investors into a second representative chamber. Under economic bicameralism, two chambers function as the legislative branch of the firm government, working together

to govern the firm: a “Capital Investors’ Chamber of Representatives” (currently known as the board of directors) and a “Labor Investors’ Chamber of Representatives.” The government’s executive branch—its top management—is appointed by the two chambers together. To set the rules governing the firm’s existence, executive management must receive a majority vote in both houses (50% + 1). The political blueprint taken from the history of bicameralism grants veto power to the previously disenfranchised constituency of labor investors.

Following our historical blueprint, the top management, or executive committee, would serve as the executive branch of government. Members of the executive branch would be appointed by a majority (50% + 1) in the firm’s two chambers, whose members would hold seats won through legislative elections. Top management would also be accountable to them both, and a vote of no confidence could trigger a new election (or appointment process) or oblige them to submit a new management plan. This executive branch would work to forge joint understandings and constructive compromises between the two legislative chambers, and shared visions for the firm’s future. Both chambers would, as a general rule, meet together in order to maximize deliberative capacity and collective learning, and to ensure transparency with the executive branch. Their shared goals would provide ample common ground and positive basis for dialogue, as it is in both constituencies’ interests to keep the firm functional and prosperous. Figure 2 illustrates the basic institutional design.

The practice of bicameralism in history allows for a number of ways to determine the role assigned to any given firm parliament. Depending on how bicameralism is applied, the executive branch might have more or less power, or might even find itself in competition with the legislature. We must reimagine what this classic structure would look like in the context of firms, and acknowledge that, as is the case in the history of other



**Figure 2.** Proposal: the bicameral firm with a two-chamber parliament.

political entities, many forms can emerge. For example, more sophisticated governmental arrangements might emerge in which legislatures were composed through uncoordinated election cycles that yield different (asymmetric) majorities in the two chambers, with executive branch members appointed at other points in the election cycle. The United States offers a historical model here, with the powerful checks and balances sought by its Constitution through the divided and competing influences of the legislative, executive, and judicial branches of government. The structure put forward in this proposal, in which the executive is appointed by the legislature, is intentionally simple, a balanced, more classic version of bicameralism that does not reflect the internal divisions present in more complex versions, such as the American one.<sup>53</sup>

A threefold motivation drives the bicameral innovation.<sup>54</sup> Studying the practice of bicameralism over the centuries, we note that the establishment of a second legislative chamber representing the other constituency of the political entity and granting it a veto right is considered the condition for a *legitimate, reasonable, and intelligent* government. This does not mean that those conditions are fully realized at all times, but rather that the practice of bicameralism is a necessary condition to advancing these conditions. Legislative representation through bicameral politics provides *legitimate* government in that it channels the voices of the constituencies of the political entity (patricians vs. plebeians, Lords vs. Commoners, capital investors vs. labor investors, etc.). It is *reasonable* in that each branch of government be limited (balanced) by the others. The theory of the separation and balance of powers<sup>55</sup> also guarantees that government will be reasonable, exercising a pacifying function by acting as a bridge, a buffer, or a facilitator between or among powers.<sup>56</sup> Finally, it is intelligent, acknowledging the epistemological superiority of democratic government by providing full representation for both firm constituencies.<sup>57</sup>

The issue of gridlock in case of long-standing disagreement is often raised, out of fear that two equally powerful chambers would be unable to solve their conflicts. Within the polity of a firm, both constituencies have a fairly immediate interest in ensuring the firm remains operational, in contrast to elected members of the United States Congress, for example, who continue to earn their salaries whether or not the institutions of the state are fully functional. In case of deep blockage in a firm, it is to be assumed that economic realities will incite (or pressure) parties to come to agreement, brokered or mediated by the executive committee, whose role, as mentioned earlier, would be incentivized greatly toward helping the two chambers come to productive agreement.

Once appointed by the two chambers, the first act of a firm's executive government would be to issue a policy statement in the form of a management plan that addresses overall government strategy (business strategy, type of production sought, wages and employment figures, rate of return for capital investors, etc.). Based on this management plan, the executive government would (or would not) obtain the approval of the firm's two chambers. Again, approval would require a majority vote (50% +1) in *both* the Capital Investors' Chamber of Representatives *and* the Labor Investors' Chamber of Representatives. For the sake of the overall efficiency of the institutional design, it would seem reasonable and desirable to nurture an internal dynamic that granted the firm's executive branch considerable control over the legislative agenda,

leaving its parliament the role of a “policy-influencing arena,” to mobilize the categorizations used by Norton and Polsby.<sup>58</sup> Parliament would pass or veto legislation, but not necessarily propose it.

The central change economic bicameralism seeks to bring about is to allow both classes of investors in the firm, through the representatives they elect to the Capital and Labor Investors’ Chambers, to affirm their own views and interests by participating in decisions relating to all key aspects of the life and ends of the firm, without exception. In a bicameral government structure, all of a firm’s decisions would be subject to approval by its two constituencies’ representatives. In concrete terms, this means that what is currently known as the supervisory board or board of directors, which represents shareholders, would be obliged to recognize the interests, views, and needs of the firm’s labor investors. Like the board of a classic corporation, a bicameral legislature, meeting monthly, would remain a representative system of government, not a form of direct participatory democracy. The meeting should ideally be joint, as in a two-house parliament, to make sure each of the constituencies can voice their own views and rationalities, and get the other one to learn from hearing them. Also, this joint meeting will reduce the possibility for the executive branch to play the interests of one chamber against the other, and rather be, to use March’s word, the “political broker” of the points of agreements between the representatives of capital and labor investors.<sup>59</sup> The existence of such a two-chamber firm parliament would completely alter the incentive structure of a firm’s top management. The executive would remain in the driver’s seat, but its role would be as a kind of chauffeur to a group that agrees (or is working to reach agreement) on where it is going (a.k.a. the ends, the finality of the firm), and how to get there (the means necessary to reach those goals).<sup>60</sup>

Obviously, the very existence of a Labor Investors’ Chamber of Representatives would provide a channel of representation that would foster more internal deliberation and participation among labor investors, in view of changing the nature of decisions with regard to both ends and means. Bicameral legislature is, strictly speaking, an innovation in the domain of representative systems of government, but more important, it can be leveraged to generate significant effects on levels of participation inside the firm. Economic bicameralism is a proposal that, to return to Erik Olin Wright’s terms,<sup>61</sup> seeks to “extend” the principle of democracy beyond its traditional field, while also “deepening” its application, giving it more force and meaning. In short, the very existence of a Labor Investors’ Chamber of Representatives would change the internal culture of firms, giving workers a channel for an effective voice in their work lives.

If bicameral rule is to meet the conditions discussed above in the context of the firm, full parity, that is, equal power at the collective level, is necessary. This is only possible via collective veto rights: if labor and capital investors do not have equal veto power over each other’s decisions, there can be no equity in the representation of the two constituencies—and therefore no *legitimate, reasonable, and intelligent* government.

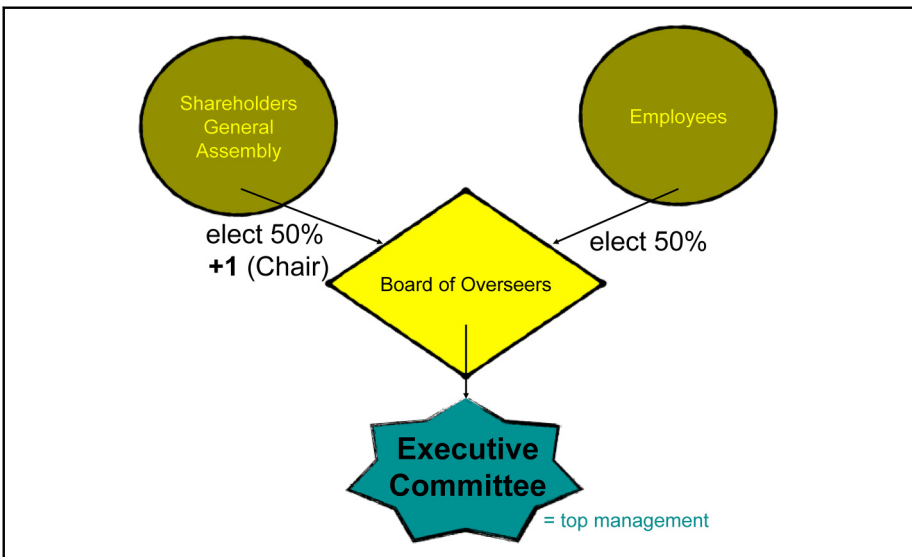
### *A Decisive Step beyond German Codetermination*

The German *Mitbestimmung* (codetermination) system of representation, known as the most advanced form of workplace democracy in the capitalist context (excluding



full-fledged worker-owned and worker-governed cooperative firms), features parity between employer and employee management on the board of large firms. So what makes bicameralism a distinct and original proposal? The answer is simple: *Mitbestimmung* upholds the monocameral system of firm government. It does not actually provide truly equal representation. As Figure 3 shows, the single chamber in the *Mitbestimmung* system—the board of overseers or supervisory board—is composed of an equal number of employee and shareholder representatives, *but* it is chaired by a president appointed by the *shareholder* representatives only—not the employee representatives. This president runs the board. He or she casts the deciding vote in case of deadlock. In other words—those of German legal scholar Franz Gamillscheg<sup>62</sup>—German codetermination offers “false parity,” because shareholders, through the president they elect, enjoy a one-vote majority at all times. Economic bicameralism, in sharp contrast, is not weighted in either direction: it requires 50% + 1 votes from *both* the Labor Investors’ and the Capital Investors’ Chamber of Representatives to appoint the executive committee and approve any decision.

The major difference between economic bicameralism and “false parity” *Mitbestimmung* is therefore that economic bicameralism is not merely a technique for managing—or even comanaging—firms. Although its ends include management—of production, work organization, and hierarchy—its scope is much broader, giving worker representatives collective veto power on all decisions affecting the direction, activity, return on investments, and future of the firm. It is thus a form of *government*: it establishes ends, not merely means. In further contrast with a *Mitbestimmung* board, because a bicameral firm requires that decisions be approved by a majority (50% + 1 vote) in *both* chambers, it is impossible to achieve a majority by convincing just



**Figure 3.** Today’s codetermination German firm (“false parity”): still a monocameral firm.

one worker representative to vote with the capital investors. This definitively shifts the balance of power: to approve a decision, a *majority* of worker representatives is required, not just one of them—it is a radically more demanding threshold.

### *Key Role for Trade Unions*

The process of representation and collective compromise between the houses will likely be intense: it is to be expected that a Capital Investors' Chamber of Representatives would have more homogeneous interests than a Labor Investors' Chamber of Representatives.<sup>63</sup> Here, unions have a key role to play, one that would be highly beneficial to firms, while also injecting new life into organized labor. As recent research has shown, the decline in unionization in the past decades has fueled the growth of the income gap in our economies.<sup>64</sup> Economic bicameralism seeks to halt and help reverse this decline, and in this way to contribute to a significant reduction of that income gap, since unions, if they embrace the idea, should play a central role in the establishment of bicameral governments in firms—and thus see their membership rise again.

The goal of economic bicameralism is to change the balance of power in firms. Current institutional settings of industrial relations and collective labor rights (bargaining rights, union rights, etc.) were designed to provide an institutional channel for labor outside of the actual workings of the firm in order to ensure that workers would not be (too) exploited as they were used as instruments to pursue the firm's ends. Their goal was never to work within the actual governments of firms to empower their disenfranchised labor investors alongside capital investors in the determination of the ends their firms were pursuing. This is a central, explicit goal of economic bicameralism. Given their long history of amplifying worker voices,<sup>65</sup> it seems only fitting for unions to redeploy as a vehicle for labor investors' collective representation in the firm. They are well positioned to help prepare employees to run for election to the Labor Investors' Chamber of Representatives, and to train them to serve effectively if elected.<sup>66</sup> One ventures to imagine that they would develop into the equivalent of political parties, for, in a sense, they already are, in that they are vehicles for worker representation—the only problem being their diminishing influence everywhere on the planet. Since economic bicameralism strengthens worker representation, it is to be hoped that it will counter this problem, if unions choose to align themselves with it. With any representation of a broad range of people comes interest divisions based on skill, sector, location, cultural sensibility, and so on. Unions are uniquely prepared to help shape and overcome such divisions with their experience in nurturing deliberation inside dialogical institutional settings. In their seminal paper on the differences between the logics of collective action among capital and labor, Offe and Wiesenthal pointed out that workers need dialogical institutional settings to help reveal and form their preferences, contrary to capital, who behave much more easily as an "interest group" unified behind a clear interest.<sup>67</sup>

It might be objected that unions do not have a history of prioritizing the advancement of firm interests. This is only logical given the history of capitalism to date. So far, labor organizations have, at best, been co-opted into comanaging firms (in other

words, managing means and not ends within a fixed, corporate-imposed, nonnegotiable framework). Never have they helped to govern them. If unions have from time to time acted irresponsibly under current systems of comanagement, one might argue that such behavior was provoked by the fact that their cooperation is something of a sham: at the end of the day, all parties know that in a corporation-ruled firm, the capital investors have all the real power. With the rare exception of true-parity Montan *Mitbestimmung*<sup>68</sup> and cooperatives, unions have never been asked to take on any meaningful power and to participate in the actual government of firms, and never been placed in a position of direct and practical responsibility over firms' futures. If labor investors were placed on equal footing with capital investors and could participate in decisions regarding the firm's future, it is to be expected that they would not only be strengthened but also behave responsibly toward their fellow worker-citizens, and hold themselves accountable for decisions affecting the life of the firm, particularly given the mechanisms of accountable representation within bicameralism.

Finally, it should be noted that economic bicameralism is not intended to provoke economic conflict or intensify firm competition by enlisting workers to uphold a new brand of corporate patriotism.<sup>69</sup> In this sense, the historical role of unions is crucial: they are and should remain the vehicle for solidarity *among* labor investors, *across* trades and industries. They already possess an arsenal of tools to help devise strategies to strengthen that solidarity. The transformation of unions into transnational democratic political movements of labor investors would help to achieve one of the overarching goals of this proposal, to bring about the democratization of firm government at the transnational and even the global level in order to help democratize globalization in the absence of public authorities capable of exercising meaningful control over these transnational political entities.

### *Governing at the Transnational Level: What Already Exists*

The institutional design of the Works Council emerged at the local level in many industrialized countries (including fledgling attempts during the twentieth century in the United States), spread to the national level in most Western European countries after the Second World War,<sup>70</sup> and then, at the close of the twentieth century, took shape at the European level. This evolution attests to an intuition running through the history of industrial relations, that workers should bear collectively on the government of the firm. So far, such councils have been consultative bodies, although in some countries and on certain issues they may make binding decisions; for instance, with respect to issues related to health and safety conditions. With a little imagination, it is easy to see how such councils, composed of elected worker representatives from various sites and countries, might evolve into full-fledged Chambers of Representatives with powers equal to the boards of corporations. It is not such a huge leap: in the words of the *Auroux* Law on the establishment of Works Councils, which was passed by the French Parliament on October 28, 1982, "they are citizens in the *polis*; workers must be citizens in their firms as well." The scaling up of worker representation is also only logical given the evolution of the economy: starting in the early twentieth century, firms began scaling up from the local to the national to

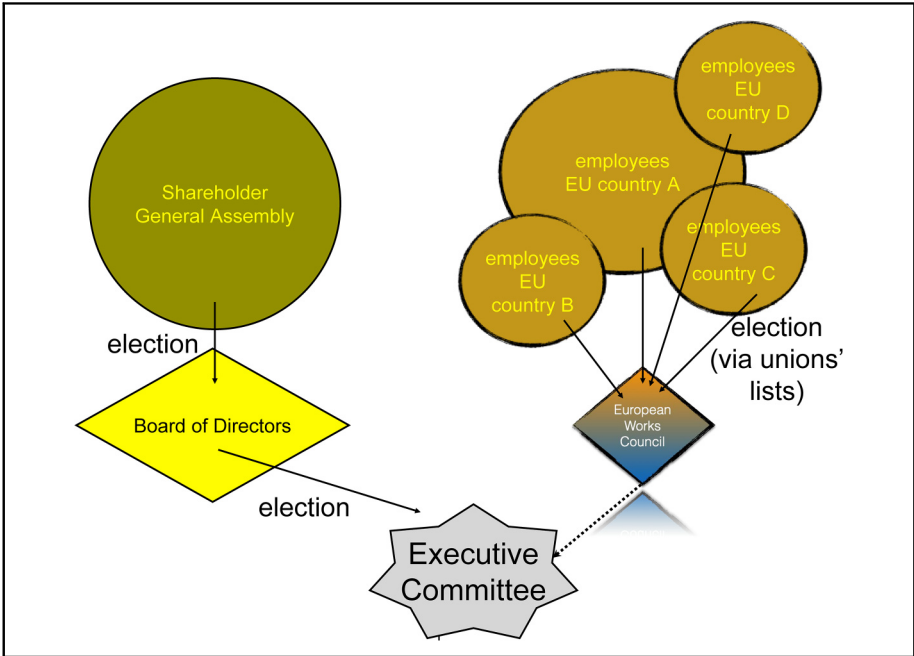
the transnational. If workers are to be citizens in any meaningful way in today's firms, their citizenship, too, must be scaled up to today's global economy.

The proposal of the bicameral firm should be considered as a way to take the concept behind Works Councils seriously, making them as important as a corporation's board of directors. Moreover, noting that a second chamber has *already emerged* at the firm level is a crucial observation. A bicameral firm scales up the rights exercised by Works Councils as they currently exist; I argue that they should be as expansive as the rights exercised by a board of directors.

The context of the United States does not offer this obvious bridging institution, and the goal of this essay is to point out that the philosophical principle of economic bicameralism, whether or not bodies like Works Councils already exist, offers a path forward. It should be noted that, as McGaughey recently described,<sup>71</sup> the movement toward democracy at the firm level is also part of a long but neglected tradition in the United States. In fact, a law was passed in 1919 by the State of Massachusetts to enable companies to give their employees the opportunity to elect their own representatives to the board of directors. This represents the world's oldest codetermination law continuously in force, and with that history in mind, Julie Battilana and I have proposed translating the philosophical principle of bicameralism into a "dual majority board," where top management appointments and decisions require a majority in each of the two colleges of voters among the board (the labor investors' representatives, and the capital investors' representatives), whatever the colleges' respective sizes.<sup>72</sup>

Implementation is complex but entirely doable given the experience gained with European Works Councils, and Global Works Councils set up in a few global firms.<sup>73</sup> Let us consider a concrete case, that of the imaginary PEER Group, a transnational firm with around 360,000 employees worldwide. (See Figure 4.) Around the globe, labor investors would vote for representatives in a *one labor investor, one vote* system. Thus, workers at a PEER site in California would vote in elections for the Chamber of Representatives for the entire PEER Group, not just a Chamber of Representatives for the site in California. If we imagine that there are around 35,000 PEER employees based in sites in the United States, then through a system of proportional representation, each site would send representatives to the PEER Group Labor Investors' House of Representatives. For the PEER Group, that would mean that about 10 percent of its Labor Investors' Chamber of Representatives would be elected from the United States.<sup>74</sup> Considering that outsourced workers who earn most of their living working for the PEER Group are labor investing in the group, and are governed by its rules and decisions, they are also legitimate to gain recognition to send representatives to the Labor Investors' Chamber of Representatives. This is the goal that democratizing the corporation should achieve: not to side with the current restrictive understanding of the labor contract enabling the *Reductio ad Corporationem* but to truly enable access to labor investors to weigh on the rules and decisions that govern their life, whatever their legal status vis-à-vis the corporation.

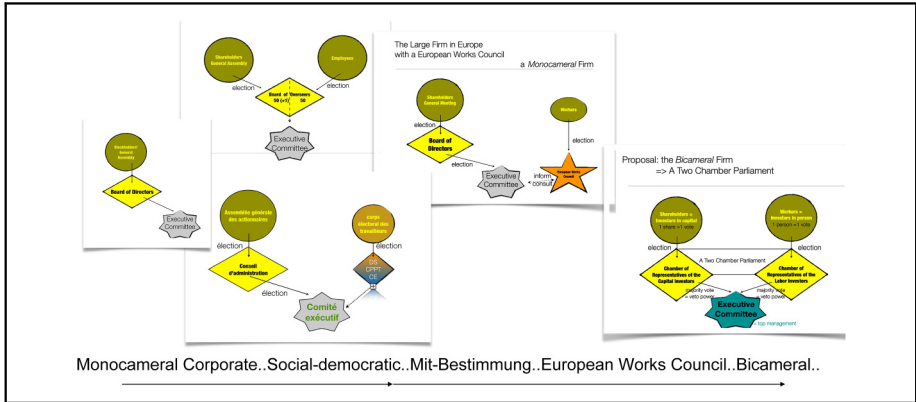
While the case is imaginary, this is not the first time something of this scope has been attempted: in 1994, a directive of the European Union established that all corporations present in the EU countries with more than a thousand workers in a single country or with more than 150 employees in at least two countries organize elections



**Figure 4.** Capitalist monocameral government of the firm with a European Works Council at the European Union level established since 1994.

among their employees to send representatives from each country to sit in a consultative body known as the European Works Council (EWC).

Today, more than a thousand of these EWCs exist, meeting at least once yearly with management from the European level, which informs them of the corporation's economic situation.<sup>75</sup> (See Figure 5.) Through them, union delegates are able to collect important information and coordinate potential strategies across borders and sites. The very existence of these EWCs shows that gathering representatives from various countries (and funding travel and translators) is a feasible operation, and that positive collective learning is taking place. However, European Works Councils are consultative bodies; their purpose is not for labor investors to take part in the government of their firms. A few firms have scaled these Works Councils up to the global level, with the help of union federations.<sup>76</sup> These World Works Councils function as consultative arenas for transnational firms, representing all employees at the global level, and fostering the exchange of knowledge among workers and across union organizations. In this completely voluntary initiative, we could perceive the outlines of a Labor Investors' Chamber of Representatives at the global level—with veto power over all decisions currently made by the corporation's board. This is how we understand the proposal of the bicameral firm: grounded in the intuition at the heart of the institutions of industrial relations formed at the firm level, it deepens and nurtures the ideal of a transition toward full democratic citizenship in the work life. (See Figure 5.)

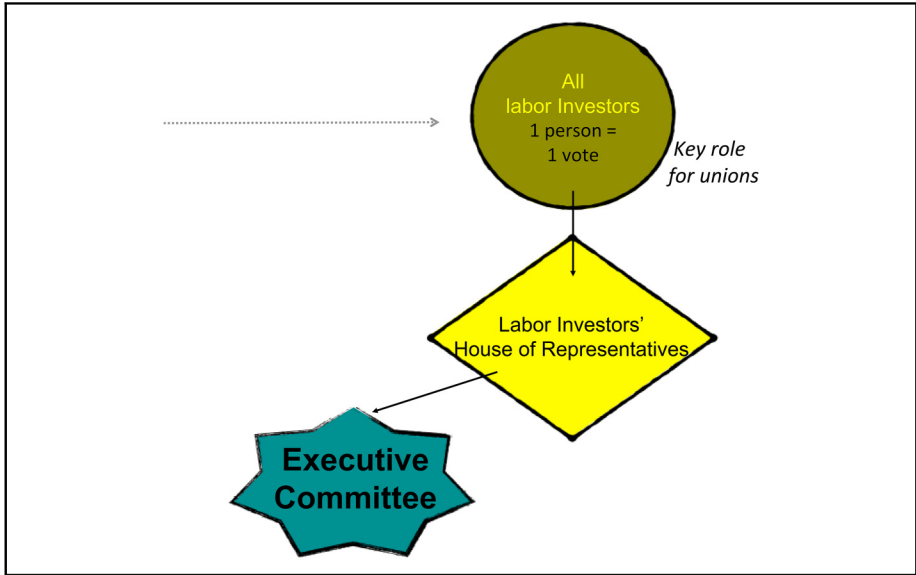


**Figure 5.** Transition toward economic citizenship: the intuition at the heart of the institutions of industrial relations at the firm level.

## To Conclude: A Transitional Step

Bicameral legislative structures are easily replicable, because they harness a dualistic social dynamic present in capitalist democracies to productively structure existing conflict between capital and labor. We have argued that economic bicameralism constitutes a “real utopia”<sup>77</sup> because it offers a constructive response to what Mandel called a “transitional demand,” helping society advance toward what is “bound to become a struggle which shakes the very foundations of capitalism.”<sup>78</sup> To propose that the problem of democratizing the corporation be tackled using a voice-focused strategy does not mean ignoring the critical issue of ownership. Economic bicameralism makes it possible for firms to transition from unicameral capital ownership and control in the form of the corporate firm, to unicameral worker ownership and control; that is, to “cooperative” firms in which workers are also owners. To achieve full ownership and control (what is usually referred to by the misleading term “self-management”), labor investors could buy out a corporation’s shares from its capital investors. This already exists as a legal possibility in the United States through federal Employee Stock Ownership Plan (ESOP) legislation passed in 1974, which allows labor investors to constitute a trust through which they can take control of their firm’s capital. The trust is empowered to borrow the funds necessary to buy out the former shareholders in the corporation. The bicameral phase of firm government would allow labor investors to hone their government and management skills before they transitioned to governing without capital investors in a monocameral, fully worker owned and controlled firm.

To help firms make the transition from bicameral government to labor-investor government, public authorities in all capitalist democracies should consider adopting ESOP legislation similar to what exists in the United States.<sup>79</sup> (See Figure 6.) In addition to this 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, perhaps through public and community banks.<sup>80</sup> If this



**Figure 6.** Regulative ideal: the democratic firm, labor-governed and labor-owned.

funding is properly channeled and monitored, then one of the most intractable barriers to the development of a thriving cooperative sector will finally be lifted. Until now, the major stumbling block to the spread of cooperatively run firms has been access to (supportive) finance. With proper state support, the risk previously associated with lending to “worker cooperatives” would be greatly mitigated by a transitional bicameral phase, which would help workers prepare for full government of their own firms. In this way, bicameralism for the firm makes the real utopia of a fully democratic firm a far more concrete prospect. The huge financial resources owned by employees through pension funds could also be mobilized to support firms that commit to fully respect and include their labor investors in their own government.

Today, absenteeism generates enormous losses for firms.<sup>81</sup> It is to be assumed that bicameral government will generate a more productive form of work organization in firms, as one of its central goals is to bolster two key drivers of commitment in the workplace by supporting labor investors in their search for control and autonomy in their own lives, and responding to their own *critical intuition of democratic justice* at work. The bicameral government of firms might become a competitive advantage, which, if coupled with a lower corporate tax rate, would ultimately lead them to out-compete corporate firms.

I agree with Dahrendorf that Marx, in considering ownership of the means of production as defining the speak of the class struggle, was generalizing from a specific historical situation.<sup>82</sup> The definitions of capitalism and democracy I have proposed in this essay speak to Dahrendorf’s observation that what divides one class from another is power. If we are to make sense of the despotism of capital investors, we must understand private property as generating power, which is only possible when it comes

bundled with (political) rights. As M. R. Cohen pointed out nearly a century ago, “History is full of examples of valuable property privileges abolished without any compensation, e.g. the immunity of nobles from taxation, their rights to hunt over other people’s lands, etc. It would be absurd to claim that such legislation was unjust.”<sup>83</sup> We should bear Cohen’s point in mind when considering a way out of the contradiction between capitalism and democracy: private property is a relative, historically situated concept, and we can only fully understand it in the context of the social relationships it fosters and depends upon. Economic bicameralism respects the private property of capital owners. Yet, it reorganizes the rights associated with that property. Rather than depriving shareholders of their rights, it extends the same rights to the firm’s other constituency, its labor investors.

Given the colossal returns capital investors have managed to extract from unjust economic structures,<sup>84</sup> one can only conclude that they have abused the power gained from the bundling of political rights together with property. Particularly when applied to large transnational corporations,<sup>85</sup> economic bicameralism would lessen what John Stuart Mill described as “the evil effect produced upon the mind of any holder of power, whether an individual or an assembly, by the consciousness of having only themselves to consult.”<sup>86</sup>

Polanyi’s concerns for the harms unleashed when the economy is disembedded from the overall architecture of democratic society are as germane as ever—with the added contemporary urgency to fitting within planetary boundaries.<sup>87</sup> Economic bicameralism should be envisioned as a key tool for this reembedding. It is not intended to replace or destroy other tools. Existing regulations protecting fundamental rights (including the right to strike, labor market regulations, financial market regulations, etc.) must be upheld. Economic bicameralism, by establishing a better balance of power between labor and capital at the firm level, seeks to strengthen these tools, not weaken them. By fostering a more productive relationship between democratized firms and states, it is designed to reinvigorate public powers, which are needed to address all global issues, from the climate crisis to building lasting peace. To cite another “real utopia,” the need to *deepen* democracy at the state level is not lessened if life in cities is made highly deliberative and participative.<sup>88</sup> Democratizing the corporate firm is just one dimension, albeit a crucial one, of the complex architecture of a democratized economy that actually lives up to the ideals and norms of our democratic societies. It helps to change the system of constraints on capital and to address short-termism, one of the gravest ills of global financial capitalism. From this perspective, the history of German codetermination attests to the possibility of anchoring capital in its investments. While German business federations continue to criticize codetermination as being “anti-business,” Germany has remained the envy of Europe for its ability to maintain a strong manufacturing economy in today’s highly competitive global environment.

Using a critical and reconstructive<sup>89</sup> perspective, I have anchored this essay in what I have called the “critical intuition of democratic justice” as a way to explore the idea that people investing their labor in work consider that their own conceptions of justice ought to matter in the decisions that concern them. We have seen that the most innovative businesses have already learned this. Capitalism, as always, has taken note of the



*political critique*<sup>90</sup> of the restraints on worker productivity generated by the despotism of capital investors, and is recycling it. As Marcuse pointed out,<sup>91</sup> its ability to undermine by co-opting should not be underestimated: business school courses in participatory management and methods for “liberating the firm” abound without addressing the core problem: outmoded firm government. We cannot hope for our economy (let alone our democratic societies as a whole) to advance in any lasting, sustainable, constructive way if the firms that drive it are governed despotically. The institutional model of bicameral politics offers a tested and reliable solution. It should be expanded to include firms.

It will help reduce inequality by ensuring that the bargaining between capital and labor takes place at its core.<sup>92</sup> It will help us to meet the challenge of globalization by offering an actionable, internally legitimate response to the failure of states to provide a normative and binding framework for transnational corporations and their value chain.<sup>93</sup> Firms that adopt bicameral government structures will become less unilaterally oriented toward capital gains. It is likely that they will assign greater value to functioning public authorities and services and the goods that they have the potential to deliver (education, health, security, etc.). And as firms cease to fight against the very existence of state capacities, the potential will be even greater for states to cooperate on a proper framework in which to regulate transnational firms and address at last the climate emergency.

Economic bicameralism offers a response to the challenge of innovation and motivation, fostering the working conditions firms require by providing new ways to combine and reconstitute the moments of conception and execution of work.<sup>94</sup> It could help to further enrich deliberation over the future of technological changes, including artificial intelligence and robotization; after all, since they are so significant to the future of workers, it is only fair that decisions regarding such changes, which directly affect labor investment in the firm, be deliberated over with workers. It will help counter the rise of extreme-right-wing and populist movements by aligning the experience of citizenship in and outside of work. It will help to fight the corruption of political democracy by injecting new hope into a demoralized demos and empowering labor and civil society actors, not only corporations.<sup>95</sup> It will help to renew the trade union movement by building a stronger and more constructive role for it at the economic and political level. Democratizing firms is a constructive contribution to all these pressing challenges.

Democratizing the corporation offers a powerful response to the pressing need to transition our economy into a postcarbon model.<sup>96</sup> Indeed, the capitalist despotism that has been the model for governing corporate firms has been instrumental in generating the terrible state in which our planet finds itself: it is a model that treats everything alike, as *resources*, mere instruments in its quest for more capital returns. It is highly unlikely that more of the same extractivism will lead us out of the impasse in which we find ourselves today. If we want change, and if we want to reach decisions that will actually transition us to a postcarbon production model, then leaving the government of firms to capital investors is certainly unreasonable, illegitimate, and highly unintelligent. Labor investors must be brought to the table and seriously weigh on firms' strategies.

Truly organizing labor would mean, at the firm level, obtaining for it the same sets of rights that capital holds through the corporation. It is urgent that we reaffirm for workers the democratic principle of freedom and equality “in dignity and rights,” as stated by the Universal Declaration of Human Rights. This means creating equivalent institutional channels for them, within the structure of a bicameral firm. The capitalist corporate firm as we know it should become as obsolete and preposterous as a monarch ruling with no parliament. If unions and social movements truly wish to further workers’ interests and dignity on this earth, they must move toward a fuller understanding of democratic citizenship, one that is broad enough to embrace the economic as well. The future of organized labor depends on it—as does the future of our democratic societies and of the planet. Firms are the new frontier in the democratic experiment. It is time for citizens at work—whether they bear the title of partner, collaborator, manager, leader, employee, or simply worker—to truly become *equals in dignity and rights*.

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## Notes

1. Joshua Cohen and Joel Rogers, *On Democracy: Toward a Transformation of American Society* (New York: Penguin Books, 1983).
2. The analysis that follows draws from more substantial arguments and background developed in Isabelle Ferreras, *Critique politique du travail: Travailler à l'heure de la société des services* (Paris: Presses de Sciences Po, 2007); Isabelle Ferreras, *Gouverner le capitalisme? Pour le bicamérisme économique* (Paris: Presses universitaires de France, 2012); and Isabelle Ferreras, *Firms as Political Entities: Saving Democracy through Economic Bicameralism* (Cambridge: Cambridge University Press, 2017). By “political rights,” I refer to the rights associated with participation in governing the joint endeavor of the firm, specifically, the right to a say in choices related to present and future goals and outcomes. In a democratic context, participants recognize one another as enjoying equal political rights. There are many types of political regimes (monarchic, plutocratic, etc.), in which political rights are distributed differently and unequally. In my understanding, capitalism is one such regime of government, which accords political rights to capital investors only.
3. Ferreras, *Gouverner le capitalisme?* and *Firms as Political Entities*.
4. Based on a study of a representative sample of the German population, Decker and Brähler show that what they call “industrial citizenship” (conceptualized through the answers to the following questions: Do I feel excluded from decisions made at work? Can I speak openly about works councils and trade unions without fear of being disadvantaged? Can I solve problems at work with my colleagues? When I engage in my work, can I change things?) is significantly correlated with positive attitudes toward democracy as well as other antiauthoritarian attitudes. See Oliver Decker and Elmar Brähler, eds., *Autoritäre Dynamiken: Alte Ressentiments—Neue Radikalität* (Leipzig: Psychosozial-Verlag, 2020). In France, Coutrot found that voters whose work was closely monitored and controlled (i.e., who had little to no autonomy in the way their work was organized) were significantly more likely to either vote for the extreme right candidate or abstain from voting. See Thomas Coutrot, “Travail et bien-être psychologique,” *DARES*, Etude no. 217, March 2018, [http://dares.travail-emploi.gouv.fr/IMG/pdf/travail\\_et\\_bien-etre\\_tc\\_vd\\_2.pdf](http://dares.travail-emploi.gouv.fr/IMG/pdf/travail_et_bien-etre_tc_vd_2.pdf). See also Mounk’s analysis of the rise of populist and antidemocratic resentment in Western nations (Yascha Mounk, *The People vs. Democracy: Why Our Freedom Is in Danger & How to Save It* [Cambridge, MA: Harvard University Press, 2018]). Mounk’s work shows a growing loss of faith in representative democratic politics as currently structured—not a lessened desire for voice. This has the perverse effect of causing voter behavior that eventually draws power away from voters who see demagogic or authoritarian strongmen as the solution to their problems, echoing Polanyi’s analysis in *The Great Transformation* (New York: Reinhart, 1944) of fascism as the “last resort solution” of a people desperate for a government that was responsive to their needs rather than to the prevailing economic interests of the time. For more on the relevance of Polanyi in considering the need to democratizing the corporation, see Ferreras, *Firms as Political Entities*.
5. To mention a few: In the United States, Elizabeth Anderson’s book *Private Government: How Employers Rule Our Lives (and Why We Don’t Talk about It)* (Princeton, NJ: Princeton University Press, 2017) received wide attention, while Elizabeth Warren’s proposed Accountable Capitalism Act, introduced in August 2018, would require that at least 40 percent of the boards of all major US corporations be elected by their employees. In 2018, in the United Kingdom, the Labour Party’s new platform has included worker ownership funds and board members chosen by workers. In Belgium, the Socialist Party

has included the proposal of the bicameral firm in its new federal platform. In France, the new PACTE law includes 2 or 3 employee representatives on the boards of large firms, and in the summer of 2017 the CFDT, the country's largest union, named codetermination as one of its major demands. Since the writing of this article, throughout the COVID-19 crisis many relevant developments took place, particularly those that brought attention to the fate of "essential" workers. A notable development is the fact that the philosophical principle of bicameralism to reform corporate governance was affirmed at the start of the pandemic (May 2020) in the Democratizing Work Manifesto, written by Ferreras with Julie Battilana and Dominique Méda, and signed by more than six thousand scholars across the five continents: "workers should get the right to collectively validate or veto the [firm's] decisions." See [www.DemocratizingWork.org](http://www.DemocratizingWork.org); Isabelle Ferreras, Julie Battilana, and Dominique Méda, eds., *Le Manifeste Travail: Démocratiser, démarchandiser, dépolluer* (Paris: Le Seuil, 2020); Isabelle Ferreras, Julie Battilana, and Dominique Méda, eds., *Democratize Work: The Case for Reorganizing the Economy* (Chicago: University of Chicago Press, 2022).

6. Isabelle Ferreras, "Vers l'action: du politiquement impossible au politiquement inévitable," in Ferreras et al., *Le Manifeste Travail*, 37–66; Isabelle Ferreras, "From the Politically Impossible to the Politically Inevitable: Taking Action," in Ferreras et al., *Democratize Work*, 23–46.
7. Erik Olin Wright and Joel Rogers, *American Society: How It Really Works* (New York: W. W. Norton, 2015).
8. Aristotle characterizes this relationship as despotic; see Ferreras, *Firms as Political Entities*. Ellerman is the contemporary author who has highlighted most powerfully this dimension of the employment contract; see David Ellerman, "On the Renting of Persons: The Neo-Abolitionist Case against Today's Peculiar Institution," *Economic Thought* 4, no. 1 (2015): 1–20.
9. Indeed, the first known employment contracts in Antiquity were for the hiring of slaves from one master to another within the context of the despotic master-slave relationship (see Paulin Ismard, *La cité et ses esclaves: Institutions, fictions, expériences* [Paris: Le Seuil, 2019]), and the quest for emancipation has always been an issue central to economic relations. For an account of the modern era in the United States, see Alex Gourevitch, *From Slavery to the Cooperative Commonwealth: Labor and Republican Liberty in the Nineteenth Century* (Cambridge: Cambridge University Press, 2014); Caitlin Rosenthal, *Accounting for Slavery: Masters and Management* (Cambridge, MA: Harvard University Press, 2018).
10. Anderson, *Private Government*.
11. Paddy Ireland, "Property, Private Government and the Myth of Deregulation," in Sarah Worthington, ed., *Commercial Law and Commercial Practice* (Oxford: Hart, 2003), 105.
12. Robert Hale, "Force and the State: A Comparison of 'Political' and 'Economic' Compulsion," *Columbia Law Review* 35 (1935): 149–98, 149.
13. In contrast, the available literature in sociology and political science have thoroughly established that markets are products of the state, and that corporations need rights enforced by the state to operate these so-called "free" markets.
14. Danilo Martuccelli, *Grammaires de l'individu* (Paris: Gallimard, 2002).
15. As will be made clear, and contrary to what the economic theory of the firm asserts, corporations enjoy a legal personality, meaning that people own *shares* in corporations, while corporations themselves, and the firms they help to structure, are both entities owned by no one.

16. For a clear-cut example, see the Nobel Prize in Economics acceptance lecture by Oliver Hart, "Incomplete Contracts and Control" (December 8, 2016), [https://assets.nobelprize.org/uploads/2018/06/hart-lecture.pdf?\\_ga=2.163596991.182983615.1536321088-1912279146.1531738552](https://assets.nobelprize.org/uploads/2018/06/hart-lecture.pdf?_ga=2.163596991.182983615.1536321088-1912279146.1531738552).
17. On practices of worker involvement developed by innovative business in the past decade, see, e.g., those inspired by self-defining "liberated" firms (Brian Carney and Isaac Getz, *Freedom Inc.: Free Your Employees and Let Them Lead Your Business to Higher Productivity, Profits, and Growth* [New York: Crown Business, 2009]) and "reinvented" organizations pushing toward more horizontal decision-making processes (Frédéric Laloux, *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness* [Brussels: Nelson Parker, 2014]), as well as "sociocracy" and "hollacracy" as modes of self-management. The How Report 2016 (<https://howmetrics.lm.com>) gathers comprehensive data collected from sixteen thousand employees in seventeen countries, showing that self-governing organizations organized along these kinds of practices outperform their peers while generating increased worker satisfaction.
18. Indeed, research has proven that above a certain threshold, the nominal value of compensation, even increasing compensation, has no impact on worker performance. See Daniel Pink, *Drive: The Surprising Truth about What Motivates Us* (New York: Riverhead, 2009).
19. See Ferreras, *Critique politique du travail* and *Gouverner le capitalisme?*; Pink, *Drive*; Dominique Méda and Patricia Vendramin, *Reinventing Work in Europe: Value, Generations and Labour* (London: Palgrave Macmillan, 2017); Anca Gheaus and Lisa Herzog, "The Goods of Work (Other Than Money!)," *Journal of Social Philosophy* 47, no. 1 (2016): 70–89.
20. Ferreras, *Critique politique du travail*.
21. Some renewed attention has been given to the issue. In critical social theory, see Christophe Dejours, Jean-Philippe Deranty, Emmanuel Renault, and Nicholas H. Smith, *The Return of Work in Critical Theory: Self, Society, Politics* (New York: Columbia University Press, 2018); Lisa Herzog, *Reclaiming the System: Moral Responsibility, Divided Labour, and the Role of Organizations in Society* (Oxford: Oxford University Press, 2018). See also Nien-hê Hsieh, "Rawlsian Justice and Workplace Republicanism," *Social Theory and Practice* 31, no. 1 (2005): 115–42; Martin O'Neill, "Three Rawlsian Routes towards Economic Democracy," *Revue de Philosophie économique* 9, no. 1 (2008): 29–55; Jeffrey Moriarty, "Rawls, Self-Respect, and the Opportunity for Meaningful Work," *Social Theory and Practice* 35, no. 3 (2009): 441–59; Sandrine Blanc and Ismael Al-Amoudi, "Corporate Institutions in a Weakening Welfare State: A Rawlsian Perspective," *Business Ethics Quarterly* 23, no. 4 (2013): 497–525.
22. Particularly salient was 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" (<https://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 mobilizes people's conceptions of democratic (in)justice.
23. Based on extensive research of more than 35,000 leaders and interviews with 250 C-level executives, Hougard and Carter conclude that "organizations 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 and not structural: "To solve the leadership crisis, organizations need to put people at the center of their strategy. They need to develop managers and executives who lead with three core mental qualities: Mindfulness, Selflessness, and Compassion." Another figure highlighted in the book is worth mentioning, as well: "And this is despite the fact that \$46 billion is spent each year on leadership development." Rasmus Hougard and Jacqueline Carter, *The Mind of the Leader: How to Lead Yourself, Your People, and Your Organization for Extraordinary Results* (Boston: Harvard Business Review Press, 2018), 10–12. That is a substantial amount of money, which could be put to better use reforming and nurturing structures of firm government capable of taking employee voice into consideration.
  24. "We believe that Google should not be in the business for war," its employees stated in a 2018 letter reported on in the *New York Times* ([https://www.nytimes.com/2018/04/04/technology/google-letter-ceo-pentagon-project.html?ref=collection%2Fsectioncollection%2Ftechnology&action=click&contentCollection=technology&region=stream&module=stream\\_unit&version=latest&contentPlacement=1&pgtype=sectionfront](https://www.nytimes.com/2018/04/04/technology/google-letter-ceo-pentagon-project.html?ref=collection%2Fsectioncollection%2Ftechnology&action=click&contentCollection=technology&region=stream&module=stream_unit&version=latest&contentPlacement=1&pgtype=sectionfront)). They ultimately pushed their CEO, Sundar Pichai, to drop the "Maven Project," which provided artificial intelligence to a Pentagon drone program.
  25. In 2018, to stick with Google, thousands of Google employees around the globe organized the first transnational walkout in the company's history, voicing their condemnation of the top management's handling of sexual harassment, systemic racism, and gender inequality, and asking for "real change." <https://www.theguardian.com/technology/2018/nov/01/google-walkout-global-protests-employees-sexual-harassment-scandals>.
  26. Ferreras, *Gouverner le capitalisme?* and *Firms as Political Entities*.
  27. Jürgen Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society* (Cambridge, MA: MIT Press, 1989).
  28. See the most complete study carried out in the United States on American workers' expectations regarding representation and participation in work: Richard B. Freeman and Joel Rogers, *What Workers Want* (Ithaca, NY: ILR Press/Russell Sage Foundation, 2006). A figure stands out: in the United States, which is traditionally considered to be rather hostile to unions, unionization has now dipped below 7 percent in the private sector. At the time of the survey, it was around 10 percent. Yet, 90 percent of American workers stated they were in favor of a form of independent organization for employees in their companies, whose purpose would be to represent workers and communicate their viewpoints to management. This is a testimony of the fact that US workers do experience this unsettling question: while they are not unionized, they massively see the need for worker independent organizing. The pollster Frank Newport wrote in 2022: "Dr. George Gallup began asking Americans if they approved or disapproved of labor unions back in 1936, making this one of the oldest trend questions in Gallup history (or the history of any polling

organization). In 1936, 72% of Americans said they approved. In 2022, 68 percent approve, not much different from that first reading more than 80 years ago. Approval of unions has waxed and waned over the years, but the current two-thirds approval is just a few points lower than the all-time high of 75% recorded in 1953 and 1957.” Frank Newport, “The Future of Unions,” *Polling Matters @ Gallup*, April 22, 2022, <https://news.gallup.com/opinion/polling-matters/392027/future-unions.aspx>.

29. I do agree with Marxists about the potentially destructive nature of capitalism’s internal contradictions. I differ from Marx or some of his followers, 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, a potential underpinned by a lively critical intuition that challenges the current ordering of social forces within the capitalist system.
30. Ferreras, *Gouverner le capitalisme?* and *Firms as Political Entities*.
31. Jean-Philippe Robé, *L’entreprise et le droit* (Paris: Presses universitaires de France, 1999); Jean-Philippe Robé, “The Legal Structure of the Firm,” *Accounting, Economics, and Law* 1, no. 5 (2011): art. 5. This poses a direct challenge to the idea that firms may be discussed 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: whereas the shares of a corporation, at least, are owned by its shareholders, there is no exact correlate for the firm. 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, a professor at Harvard, discussed the “control rights” of the “owner of firm.” Returning to Habermas’s distinction between the knowledge-constitutive interests served by science, it is reasonable to say that the interest served by maintaining this fallacy is the interest of control, or domination. See Jürgen Habermas, *Knowledge and Human Interests*, trans. J. J. Shapiro (Boston: Beacon Press, 1971).
32. Katharina Pistor, *The Code of Capital: How the Law Creates Wealth and Inequality* (Princeton, NJ: Princeton University Press, 2019); Virgile Chassagnon, “The Network Firm as a Single Real Entity: Beyond the Aggregate of Legal Distinct Entities,” *Journal of Economic Issues* 45, no. 1 (2011): 113–36.
33. Robé, *L’entreprise et le droit*; Robé, “Legal Structure of the Firm.”
34. Paddy Ireland, “Corporate Schizophrenia: The Institutional Origins of Corporate Social Irresponsibility,” in Nina Boeger and Charlotte Villiers, eds., *Shaping the Corporate Landscape* (Oxford: Hart, 2018).
35. On the analogy between firms and states, to justify using the tools and concepts of political science and political theory to study firms, see Hélène Landemore and Isabelle Ferreras, “In Defense of Workplace Democracy: Towards a Justification of the Firm-State Analogy,” *Political Theory* 44, no. 1 (2016): 53–81; for a thoughtful critique justifying the specifics of the disanalogy, see Abraham Singer, *The Form of the Firm: A Normative Political Theory of the Corporation* (Oxford: Oxford University Press, 2018).
36. On extending democracy, see Wright and Rogers, *American Society*. On deepening democracy, see Archon Fung and Erik Olin Wright, “Deepening Democracy: Innovations in Empowered Participatory Governance,” *Politics & Society* 29, no. 1 (2001): 5–41.
37. Braudel helpfully described the economic system as comprising three layers: one of exchange among people who know each other personally (which is not necessarily monetized, as in gift exchange); market exchange among individuals and groups (via markets, where competition is intense and trade is mediated by money); and, finally, capitalism

- (where important producers attempt to influence policymakers in order to define rules favorable to them; at this upper level, the free market is actively restrained in order to favor consolidation and monopolies, the capture of the regulatory state, and wealth accumulation). See Fernand Braudel, *La dynamique du capitalisme* (Paris: Flammarion, 1985). For a necessary companion reflection to this one on the corporation, see, on how to democratize the market system, Tom Malleon, *After Occupy: Economic Democracy for the 21st Century* (Oxford: Oxford University Press, 2014); on the question of how to democratize finance, see in particular the companion issue to this one: Special Issue of *Politics & Society* on Democratizing Finance (volume 47, issue 4, December 2019), and Fred Block and Robert Hockett, eds., *Democratizing Finance: Restructuring Credit to Transform Society*, The Real Utopia Project Series (London: Verso, 2022).
38. Erik Olin Wright, *Envisioning Real Utopias* (London: Verso, 2010).
  39. The Yellow Vest movement, which emerged in France in November 2018, illustrates this vague feeling of being subject to the powerful forces of the transnational corporations, which have become more powerful than our states: an angry social movement with no clear claims or demands voiced general outrage at the notion that ordinary citizens should pay higher fuel taxes while the wealthiest capital owners accrued still more money and influence. Please bear in mind that this observation was written even before the COVID-19 crisis, which only accelerated this state of affairs.
  40. Ferreras, *Firms as Political Entities*.
  41. In the case of contemporary US workplaces, Anderson goes so far as to describe a “communist dictatorship” ruling the lives of employees. Anderson, *Private Government*.
  42. See the tremendous success of Mondragon as described in Tom Malleon, “What Does Mondragon Teach Us about Workplace Democracy?,” *Advances in the Economic Analysis of Participatory and Labor-Managed Firms* 14 (2013): 127–57; Amanda Latinne, *The Mondragon Cooperatives: Workplace Democracy and Globalization* (Cambridge, UK: Intersentia, 2014). And see Ellerman’s defense of workers as the sole legitimate investor-owners in David Ellerman, “On the Renting of Persons: The Neo-Abolitionist Case against Today’s Peculiar Institution,” *Economic Thought* 4, no. 1 (2015): 1–20.
  43. David Ellerman, *Property & Contract in Economics: The Case for Economic Democracy* (Cambridge MA: Blackwell, 1992); Ellerman, “On the Renting of Persons”; Wright, *Envisioning Real Utopias*; Tom Malleon, *After Occupy: Economic Democracy for the 21st Century* (Oxford: Oxford University Press, 2014); Sanjay Pinto, “Worker Co-operatives and Other Alternative Forms of Business Organization,” in Christian May and Andreas Noelke, eds., *Handbook of the International Political Economy of the Corporation* (Cheltenham, UK: Edward Elgar, 2018).
  44. David Weil, *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It* (Cambridge, MA: Harvard University Press, 2014).
  45. In industries providing goods that could be considered as “common goods,” such as health-care, education, money, or energy, direct state control might prove the most efficient and just way. Yet, this ownership dimension does not solve the voice challenge that drives this proposal.
  46. For more on the connections between corporate governance and environmental sustainability, see Florence Jany-Catrice and Dominique Méda, *Faut-il attendre la croissance?* (Paris: La Documentation française, 2016); Tim Jackson and Peter Victor, “Does Slow Growth Increase Inequality? Some Reflections on Piketty’s ‘Fundamental’ Laws of Capitalism” (ESRC Passage Working Paper, 2014); Tim Jackson, *Prosperity without Growth?*



*Foundations for the Economy of Tomorrow* (London: Routledge, 2016); Isabelle Ferreras, "Democratizing Firms: A Cornerstone of Shared and Sustainable Prosperity" (Center for the Understanding of Sustainable Prosperity Essay Series, University of Surrey, Dir. Tim Jackson, Essay 10, July 2019).

47. Ferreras, *Gouverner le capitalisme?* and *Firms as Political Entities*. Within these two classes, depending on the specifics of the firm and industry, more specific distinctions may be necessary. But for now, let us proceed with the observation that a capitalist corporate firm's operations depend on the joint investment of labor and capital; without either of them, the firm ceases to exist.
48. This might be the case of family-owned firms, or firms with a strong family tradition. But these cases have become the exception. See Colin Mayer, *Prosperity: Better Business Makes the Greater Good* (Oxford: Oxford University Press, 2018).
49. Mayer, *Prosperity*.
50. The bias of the current system, in which the corporation holds despotic power over the firm, is perceptible in the way risk is assessed for capital and labor investors. Noncompetition, confidentiality, and intellectual property ownership clauses have become commonplace in US labor contracts, extending over months or even years, during which labor investors cannot seek a similar job or position; at the same time, their employer can fire them at will. How would the law view a similar agreement between corporate entities? How could a worker impose a parallel obligation on an employer through the employment contract (i.e., if I quit, you cannot hire any new person to perform the services I perform for the corporation for a period of 2 years...)? The seeming outrageousness of these hypotheticals highlights the inadequacy of current assessments of labor investment risk.
51. Again, this holds true until the day corporations are able to forego labor investors entirely and use robots instead, but for all firms this remains firmly in the realm of science fiction. For the moment, if their investments are to have any value, capital investors in firms continue to depend on labor investors, even if their number are decreasing due to artificial intelligence, automation, and robotization.
52. This is especially daunting as the economy has become global and the state a local player. For more on this challenge, see in particular Joshua Cohen and Charles Sabel, "Extra Rempublicam Nulla Justitia," *Philosophy & Public Affairs* 34, no. 2 (2006): 147–75. For perspectives on the operation of global firms, see Robé in Jean-Philippe Robé, Antoine Lyon-Caen, and Stéphane Vernac, eds., *Multinationals and the Constitutionalization of the World Power System* (London: Routledge, 2016).
53. The US Congress should not be taken as concrete evidence for the (in)efficiency of the institutional invention of bicameralism, and the reader should bear in mind that its case is an extreme one, as the oppositional forces of the American system of checks and balances are strong enough to block one another entirely. This kind of institutional design seems especially counterproductive in the case of the firm, where aligning the powers of the two chambers to appoint the executive branch would appear to be necessary to produce the kind of environment that respects each chamber's interests and acknowledges their shared goals.
54. For more in-depth discussions of the history of bicameralism, see Ferreras, *Gouverner le capitalisme?* and *Firms as Political Entities*.
55. The United Kingdom and the United States use different terms to describe the same idea: in general, the English refer to the theory of mixed government and Americans to checks and balances.
56. Donald Shell, "The History of Bicameralism," *Journal of Legislative Studies* 7, no. 1 (2001): 5–18, 10.

57. Hélène Landemore, *Democratic Reason: Politics, Collective Intelligence, and the Rule of the Many* (Princeton, NJ: Princeton University Press, 2012); Hélène Landemore, "Deliberation, Cognitive Diversity, and Democratic Inclusiveness: An Epistemic Argument for the Random Selection of Representatives," *Synthese* 190, no. 7 (2013): 1209–31; Hélène Landemore and Jon Elster, eds., *Collective Wisdom: Principles and Mechanisms* (Cambridge: Cambridge University Press, 2012).
58. Philippe Norton, "Parliament and Policy in Britain: The House of Commons as a Policy Influencer," *Teaching Politics* 13, no. 2 (1984): 198–221; Nelson Polsby, "Legislatures," in *Handbook of Political Science*, vol. 5, *Governmental Institutions and Processes*, edited by N. Polsby and F. Greenstein (Reading, MA: Addison-Wesley, 1975), 257–319.
59. James G. March, "The Business Firm as a Political Coalition," *Journal of Politics* 24, no. 4 (1962): 662–78.
60. This distinction refers to the domain of government (the domain of the ends) and the domain of management (the domain of the means), which cover all types of decisions taken by firms and which are equally important to workers. See Ferreras, *Gouverner le capitalisme?* and *Firms as Political Entities*. Yet, most participatory practices sought by capitalist firms in the history of capitalism address "management" issues, and management is often happy to gain the knowledge and wisdom of workers to make efficient decisions. In the domain of a firm's ends, however (which type of production or service, serving which customers, which profit return for whom, etc.), shareholders have kept their monopoly of power and do not involve workers.
61. Wright, *Envisioning Real Utopias*.
62. Franz Gamillscheg, "La Cogestion des travailleurs en droit allemand: Bilan à la lumière du jugement du Tribunal constitutionnel fédéral du 1er mars 1979," *Revue internationale de droit comparé* 32, no. 1 (1979): 57–74.
63. For a careful discussion of the differences between the "logics of collective action" of capital and labor, see Claus Offe and Helmuth Wessenthal, "Two Logics of Collective Action: Theoretical Notes on Social Class and Organizational Form," in Maurice Zeitlin, ed., *Political Power and Social Theory: A Research Annual*, vol. 1 (Greenwich, CT: JAI, 1980), 67–116.
64. Florence Jaumotte and Carolina Osorio Buitron, "Inequality and Labor Market Institutions," *International Monetary Fund Research Department*, IMF Staff Discussion Notes 2015/014 (July 1, 2015); Thomas Piketty, *Capital et idéologie* (Paris: Le Seuil, 2019).
65. Richard B. Freeman and James L. Medoff, *What Do Unions Do?* (New York: Basic Books, 1984).
66. Elections should be considered as just one possible way to appoint representatives. Sortition is another powerful option; for more on this question, see Hélène Landemore, "Deliberation, Cognitive Diversity, and Democratic Inclusiveness: An Epistemic Argument for the Random Selection of Representatives," *Synthese* 190, no. 7 (2013): 1209–31; John Gastil and Erik Olin Wright, *Legislature by Lot: Transformative Designs for Deliberative Governance*, The Real Utopia Project Series (London: Verso, 2019). Contemporary reflections on the ills of elections are relevant in the context of firms. Firms should be conceived as useful laboratories of deliberation, and as such, can help pave the way for better selection practices that nurture a vibrant democracy at the macro level.
67. Offe and Wessenthal, "Two Logics of Collective Action."
68. In the rare case of German companies in the metal, coal, and steel industries, one decision is conditioned to a favorable majority among labor representatives within the supervisory board: the appointment of the "director of labor relations," i.e., the HR director. Sara Lafuente, "Soumettre le gouvernement de l'entreprise à une double majorité," in Ferreras

- et al., *Le Manifeste Travail*, 107–14; Sara Lafuente, “Dual Majorities for Firm Governments,” in Ferreras et al., *Democratize Work*, 73–78.
69. My understanding of economic bicameralism rests on the idea of a fundamental conflict between capital and labor, which I see, in the Marxist tradition, as incommensurable. My proposal does not presume a shared community of interests; to the contrary, it seeks to productively organize the fundamental conflict in order to make the most productive use of it. The conception of the political that lies behind it is Arendtian and agonistic.
  70. Joel Rogers and Wolfgang Streeck, *Works Councils: Consultation, Representation, and Cooperation in Industrial Relations* (Chicago: University of Chicago Press, 1995).
  71. Ewan McGaughey, “Democracy in America at Work: The History of Labor’s Vote in Corporate Governance,” *Seattle University Law Review* 42 (2019): 697–753.
  72. Julie Battilana and Isabelle Ferreras, “From Shareholder Primacy to a Dual Majority Board,” in *A Seat at the Table: Worker Voice and the New Corporate Boardroom*, The Aspen Institute Business & Society Program Report Series (Washington, DC: The Aspen Institute, August 2021).
  73. Stan De Spiegelaere, Romuald Jagodzinski, and Jeremy Waddington, *European Works Councils: Contested and Still in the Making* (Brussels: European Trade Union Institute, 2022); Sara Lafuente, “Democracy at Work under Europeanisation: An Institutional and Socio-political Analysis of Worker Representation on Boards” (PhD dissertation, Political and Social Sciences/Labour and Social Security Law, Université libre de Bruxelles/Universidad de Castilla-la Mancha, 2020).
  74. At the site and country level, corresponding committees could provide useful representation, as is the case in German codetermination, which is organized at the level of the corporate structure (*Unternehmen*), and at the level of the worksite (*Betriebsrat*). The present essay cannot elaborate on the complexity of this internal architecture, but it takes for granted the idea that proper internal channels of representation will have to be established, and relevant devolution of power ensured carefully throughout, especially in the case of transnational firms.
  75. See the EWC database maintained by the European Trade Union Institute: <http://www.ewcdb.eu>.
  76. Stefan Rüb, *World Works Councils and Other Forms of Global Employee Representation in Transnational Undertakings: A Survey* (Arbeitspapier, Hans Böckler Stiftung, 2002), 55.
  77. Wright, *Envisioning Real Utopias*.
  78. Ernest Mandel, *Autogestion, occupations d’usines et contrôle ouvrier* (Paris: Maspero, 1973), 9. See also Gorz’s idea of “achievable intermediate goals” capable of opening up a “practical way forward” to democratic socialism. André Gorz, *Stratégie ouvrière et néocapitalisme* (Paris: Le Seuil, 1964).
  79. Douglas Kruse, Richard Freeman, and Joseph Blasi, *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options* (Chicago: University of Chicago Press, 2010); Joseph R. Blasi, Richard B. Freeman, and Douglas L. Kruse, *The Citizen’s Share: Putting Ownership Back into Democracy* (New Haven, CT: Yale University Press, 2014).
  80. See Block and Hockett, *Democratizing Finance*, which was based on the “Democratizing Finance” *Real Utopia* conference held in Madison, WI, in July 2018. See also Max Krahé, “Islands and the Sea: Making Firm-Level Democracy Durable,” in *Democratizing the Corporation* (London: Verso, Real Utopias Series, forthcoming).
  81. According to the figures published by the US Centers for Disease Control and Prevention, processing BLS data: “Productivity losses linked to absenteeism cost

- employers \$225.8 billion annually in the United States, or \$1,685 per employee” (January 28, 2015: <https://www.cdcfoundation.org/pr/2015/worker-illness-and-injury-costs-us-employers-225-billion-annually>).
82. Ralf Dahrendorf, *Class and Class Conflict in Industrial Society* (Stanford, CA: Stanford University Press, 1957).
  83. Morris R. Cohen, “Property and Sovereignty,” *Cornell Law Quarterly* 13 (1927): 8–30, 26.
  84. Thomas Piketty, *Le Capital au XXI<sup>e</sup> siècle* (Paris: Seuil, 2013).
  85. Paddy Ireland, “The Corporation and the New Aristocracy of Finance,” in Robé et al., *Multinationals*.
  86. John Stuart Mill, *Considerations on Representative Government*, in “*On Liberty*” and *Other Essays* (Oxford: Oxford University Press, [1861] 1998), 385.
  87. Karl Polanyi, *The Great Transformation* (New York: Rinehart & Co, 1944).
  88. Wright and Rogers, *American Society*.
  89. In the tradition of the Frankfurt School and in particular Habermas, *Knowledge and Human Interests*, which sees the core “knowledge-constitutive interest” of the critical sciences as emancipation; my research seeks to identify emancipatory “critical intuitions” (Ferreras, *Gouverner le capitalisme?*) and propose ways to reinforce them using a reconstructive approach, in the sense of the “reconstructive ethics” proposed by Jean-Marc Ferry in *L’Éthique reconstructive* (Paris: Le Cerf, 1996).
  90. Ferreras, *Critique politique du travail*. From the seminal work of Weber to more contemporary works such as that of Boltanski and Chiapello, it has long been observed that capitalism requires an ethos to generate true anthropological commitment. See Luc Boltanski and Eve Chiapello, *Le Nouvel esprit du capitalisme* (Paris: Gallimard, 1999). In the past ten years, propositions to “free,” or liberate the firm (such as that found in Carney and Getz, *Freedom Inc.*, to flatten the hierarchy, to “reinvent organizations” (here, see Laloux, *Reinventing Organizations*) or to give more autonomy to workers have been taught in business schools. These “agile” practices speak to the sheer force of capitalism’s ability to instrumentalize and recycle its critiques to draw strength from them.
  91. Herbert Marcuse, *One-Dimensional Man: Studies in the Ideology of Advanced Industrial Society* (Boston: Beacon, 1964).
  92. Piketty, *Capital et idéologie*.
  93. Alain Supiot, ed., *Face à l’irresponsabilité: la dynamique de la solidarité* (Paris: Collège de France, 2018); Robé et al., *Multinationals*; Virgile Chassagnon, *Économie de la firme-monde: Pouvoir, régime de gouvernement et régulation* (Bruxelles: De Boeck, 2018).
  94. Charles F. Sabel, “Learning by Monitoring: The Institutions of Economic Development,” in N. J. Smelser and R. Swedberg, eds., *The Handbook of Economic Sociology* (Princeton, NJ: Princeton University Press, 1994), 138–65.
  95. Lawrence Lessig, *America, Compromised* (Chicago: University of Chicago Press, 2018); Coutrot, “Travail et bien-être psychologique”; Mounk, *People vs. Democracy*.
  96. Richard Heede, “Carbon Producers’ Tar Pit: Dinosaurs Beware: The Path to Accountability of Fossil Fuel Producers for Climate Change & Climate Damages” (plenary conference address, Edinburgh, Institute for New Economic Thinking, Climate Accountability Institute); P. Frumhoff, R. Heede, and N. Oreskes, “The Climate Responsibilities of Industrial Carbon Producers,” *Climatic Change* 132 (2015): 157–71.

**Author Biography**

**Isabelle Ferreras** ([isabelle.ferreras@uclouvain.be](mailto:isabelle.ferreras@uclouvain.be)) is a senior tenured fellow (*maître de recherches*) at the Belgian National Fund for Scientific Research in Brussels (*FNRS-Fonds de la recherche scientifique*) and professor of sociology at the University of Louvain, where she is a permanent member of CriDIS (Center for Interdisciplinary Research on Democracy, Institutions and Subjectivity) at the IACCHOS Institute. Ferreras is also Senior Research Associate of the Center for Labor and a Just Economy at Harvard Law School, and member of the Royal Academy of Sciences and Arts of Belgium (Class Technology and Society).