Elizabeth Anderson

Private Government. How Employers Rule Our Lives (and Why We Don't Talk about it).

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Elizabeth Anderson's "Tanner Lectures on Human Values", delivered at the beginning of 2014 at Princeton University, immediately drew considerable attention. The volume that contains both lectures is supplemented with a comprehensive introduction (Stephen Macedo), comments from the perspectives of history of thought (Ann Hughes), literary studies (David Bromwich), philosophy (Niko Koldolny) and economics (Tyler Cowen), as well as Anderson's replies to the commentators. The "Tanner Lectures" has been reviewed multiple times in the USA and, after being published in German, in various German-speaking newspapers like "Frankfurter Allgemeine Zeitung" or "Neue Züricher Zeitung", as well as several German cultural radio programs. Hence, there is no necessity to draw the reader's attention to the Anderson's contribution, rather the recent publication of the German edition provides the opportunity to reflect on Anderson's thoughts from different scientific perspectives.

In her first lecture – "When the Market Was 'Left'" – Elizabeth Anderson provides insights to issues ranging from the Levellers of the mid-17th century, to the enlightenment (especially Adam Smith's economic theory), to pre-Marxist radicals, and finally, to the labour movements of the late 17th century/early 18th century. Elizabeth Anderson devotes considerable attention to the ideas of the Levellers who emerged during reformation and took Martin Luther's teachings of universal priesthood more literally than originally intended. The Levellers rejected the original sin, patriarchalism and social hierarchies of all kinds. During the English Civil War many Levellers served in Cromwell's New Model Army, which selected its officers according to competence and not to class origin. Albeit Cromwell, worried by the Leveller's growing influence and political demands, brought the movement to an end in 1649 by suppressing several mutinies and killing many of its leading figures, its ideas continued to inspire various thinkers and movements in the time following. For instance, freedom of faith and equality before the law can be regarded as the liberal heritage of the Levellers. Furthermore, the Levellers were passionate proponents of the market and the exchange between free an equal people. In market exchanges, neither party is bound by social rank or put into subjugation, rather, each party acknowledges the *alter ego's* interests by signalling the willingness to pay for the fruits of its labour. It is not the beneficent gift anymore which allows for a less other-directed live at the fringes of society, it is the market which facilitates greater autonomy through the exchange among equals, as Adam Smith had outlined in "The Wealth of Nations".

Elizabeth Anderson continues by investigating the impact the Levellers had in America. Thomas Paine, whose influential ideas provided the blueprint for the adaption of the notion of a free society of equals in America, had without doubt been inspired by their school of thought. Paine's writings, by asserting that free citizens can solve their problems on their own, mobilized the settlers to engage in the war for independence. Along with this came the plea for free markets, which shall thrive without state interference, as it is the state who has an insatiable hunger for taxes and plunges nations into wars. These parts in the "Tanner Lectures" are highly recommended, especially for European readers who wish to understand as to why the distrust towards the state is so deeply entrenched in American society, as is the pursuit of happiness. "Paine's views on political economy sound as if they could be ripped out of today's establishment Republican Party playbook" (25).

Central to Paines's vision of society (and those of other founding fathers of the United States) is the notion of the small artisanal workshop which wage earners join only as long as they have acquired the necessary skills to open their own workshops. The big industrial organisation which soon emerged in the United States however to dominate large parts of its economy did not feature in this world of thought at all. And as soon as "all that is solid had molten into air, all that is holy had been profaned, and man was at last compelled to face with sober senses his real conditions of life, and his relations with his kind", as Marx and Engels wrote in the Manifesto of the Communist Party, wage labourers were left with two liberties: firstly from "the yoke of the feudal absolutism" (accompanied by civil rights), and secondly, as Marx noted in "Capital", from the means of production, thus being subjected to wage slavery.

The references to Marx's deliberations in "Capital" (which Elizabeth Anderson contrasts with Adam Smith's perspective) pave the way for the second lecture, "Private Government". According to Elizabeth Anderson, modern firms are "private governments", which is because of their internal authoritarian structure, to with employees are subjected. This dissociates the notion of government from the context of statehood which allows for the analysis of statelike restrictions on (negative) freedoms in the private domain. Because the restrictions on (negative) freedom in private firms do not correspond with republican freedoms in democratic states, Elizabeth Anderson likens firms to "communist dictatorships", a strong term she applies to draw attention to the considerable power firms exercise over their employees. This wakening call is urgently required, according to Elizabeth Anderson, because far-reaching restrictions of employee's freedoms are not only being imposed during working time but also spill over to the private domain, having already become a new normal.

To substantiate this point, Elizabeth Anderson invokes various examples of restrictions employers impose on the freedoms of their employees. For instance, US firms control their employees' health behaviour and charge additional health insurance premiums (on the insurance schemes the firms offer to their employees), should the observed behaviour be regarded as a health risk. In another case, the employer threatened to suspend employees for three days should they consider using the toilets, along with the suggestion to urinate in one's clothes instead. In other cases, employers had imposed pressure on employees to support certain political parties or candidates. These examples are taken from a long list of similarly appalling examples which charges the term "communist dictatorship" with the moral outrage which proved sufficient to set into motion a public discourse on employees' rights.

In this context, European and especially German commentators point at the relatively favourable position employees enjoy under European and especially German labour legislation, both on the individual as well as the collective level. A workplace constitution, as envisioned by Elizabeth Anderson for the USA, which protects employees' rights, already exists in Germany, encompassing not only the company level, but also the industry level. However, not only industry-wide multi-employer agreements are waning in Germany, but also worker participation. For 39% of the West German workforce and 51% of the East German workforce, a labour agreement is not in place, neither is a representation of employees' interests by a works council. But let get us back to the book at hand, after this short interjection on the state of labour relations in Germany.

One cognitive reason for this regrettable state of affairs rests in the economic theory of the firm, as developed by scholars like Ronald Coase, Armen Alchian, Harold Demsetz or Oliver Williamson. Elizabeth Anderson criticizes the New Institutional Economics for systematically ignoring power imbalances within the firm on the grounds that employees have always the option to leave. The choice option to exit (Hirschman, 1970) is a core argument, however, to which Tyler Cowen points at as well in his comment. The voluntariness of membership distinguishes companies from "total institutions" (Goffman, 1961) and restricts encroachment on the private domain, as is characteristic for "greedy institutions" (Coser 1974). However, no scholar of organisational theory would deny the fact that – say, in line with Weber – organisations are "imperatively coordinated groups" in which members transfer certain rights of action (Coleman 1990).

The possibility to exit an organization nevertheless crucially depends on the existence of appropriate alternatives – either job offers or viable options other than gainful employment. The blind spot of standard economics as well as the New Institutional Economics is that both disciplines, while perceiving supply and demand largely as an interplay between relative prices and relative quantities of goods, ignore the power relationships between suppliers and demanders – a core feature of sociological of market models (Coleman, 1990). This holds especially for the commodity "labour power" which is inextricably linked with the suppling person. Another question worth asking is as to why contemporary economics has lost its critical perspective on the market power large companies accumulate and the corresponding market imperfections, both of which had been salient research topics of US-American economics in the early twentieth century (Berle & Means, 1932). This question comes into mind because the proponents of the market economy were also (or should also be) supporters of the antitrust division and the regulation of market power, especially with regards to imbalances on labour markets.

The answer to the question posed by Elizabeth Anderson as to why we tend to ignore the power relationships in firms is in my assessment also reflected in the relationship between economics (as a discipline) and (sociological) organisational theory – an issue which scholars like Pfeffer (2005) have forcefully addressed at an early stage. But despite the fair criticism of the hubris of economics, its imperialism and its "superiority complex" towards other social sciences, some arguments levelled at discipline of economics are debatable. This holds not only for Elizabeth Anderson who can hardly been blamed for being a philosopher and not an organisational theorist, but also for the discourse within organisational theory as well as management theory. It should not go unnoticed that the New Institutional Economics took on the "nirvana fallacy" of standard neoclassical economics (Demsetz 1969) and might therefore rather be a valuable ally and not a perceived opponent in an interdisciplinary controversy.

One insight gained by the New Institutional Economics is that firms, at their core, face a collective good problem in so far as the production functions of its members are inseparable. From the perspective of organisational theory and management theory this is a trivial insight. Every accountant can immediately tell the reader a thing or two about the problems of allocating overhead costs (e.g. to products or departments). The conclusion Armen A. Alchian and Harold Demsetz (1972) draw from the collective good problem, namely that rational members of an organisation would be willing to reward an entity for controlling themselves, if this task had not already been accomplished by the shareholders, appears to be outright bizarre from a non-economic perspective, especially if knowledge in (economic) contract theory is modest and methodological individualism merely appears to be instrumental for setting up the argument. That this figure of argumentation provides a strong rationale for voice (Hirschman, 1970) in worker participation or codetermination is often overseen while one shakes her head in disbelief over the abstruseness economics sometimes seems to produce.

From the organisational theory and management theory Elizabeth Anderson's intervention can be regarded as al plea not to reject the arguments put forward by institutional economics in a knee-jerk fashion but rather to inspect them more closely. It is equally important, especially for the European debate and research, to study the legal reality with regards to participation rights and protective rights. It does not suffice to have identified power imbalances in one or the other theory. These theoretical results need to be substantiated by empirical research. Any discipline which claims to make a constructive contribution to society should not only conduct applied research but also submit proposals to restrict authority and to foster participation in organisations.

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