

# The Corporate Dictatorship

*by Lena Silberzahn*

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**In the 18th century, the free market emerged as a vehicle for equality, giving people freedom from managers' authority. However, as Elizabeth Anderson explains, this is no longer the case: corporations' power over their employees is now entirely dictatorial.**

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**Reviewed:** Elizabeth Anderson, *Private Government: How Employers Rule Our Lives (and Why We Don't Talk About It)*, Princeton, Princeton University Press, 2017, 224 pp.

“A spade should be called a spade,” wrote Pierre Bourdieu in reference to the role of intellectuals.<sup>1</sup> Such is Elizabeth Anderson’s purpose in her latest book, *Private Government*. She likens corporate power to that of a *private government*: under the guise of free trading between equal individuals, relations between employers and employees are now marked by deep-rooted power imbalances that open the door to a whole range of abuses.

The book compiles two lectures delivered at Princeton in 2014, four commentaries (by historian Ann Hughes; David Bromwich, Sterling Professor of English at Yale University; philosopher Niko Kolodny; and economist Tyler Cowen), and the author’s response. It stresses the urgent need to rethink the way the corporate world is studied now that corporations have become a hotbed of inequalities – which are particularly difficult to combat since they tend to be concealed by a liberal rhetoric of horizontality.

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<sup>1</sup> Pierre Bourdieu, *Pour un savoir engagé*, *Le Monde diplomatique*, February 2002, p. 3.

## Historicising free-market thinking

Unchanged since the 18<sup>th</sup> century, the dominant economic discourse fails to acknowledge that the free market, once seen as a vehicle of equality, now poses a threat to both equality and individual freedom.

Like many ideals, the free market ideal emerged in opposition to the model of society from which it arose. Egalitarians, defined as those who “promote a society in which its members interact as equals,” (p. 3) once advocated expanding market relations on the grounds that they enabled individuals considered inferior to exchange goods regardless of their social status. In fact, the rise of commerce enabled farmers to leave behind a life of servile dependency upon their lords in order to become independent artisans or tradesmen (p. 18).

For the Levellers movement, for example, which emerged during the English Civil War in the mid-17<sup>th</sup> century, the defence of the market society was seen as a logical extension of the struggle for equal rights, the abolition of privileges and religious toleration (p. 16). In fact, the opposition to economic monopolies was part of a broader struggle against all forms of monopolisation: monopoly of the guilds over the economy, of the church over morality, of the vote by the rich, of family power by men (p. 17). Likewise, Adam Smith’s fascination with the free-market form of social organisation stemmed primarily from promises of “order and good government, and with them the liberty and security of individuals” (p. 18). The ideal of the free market was embedded in the broader ideal of a society of masterless men who, being self-employed, would be freed from the yoke of feudalism and its hierarchical social order –. Market society was indeed an egalitarian cause (p. 17); the “market was ‘of the left’”, (p. 1).

However, such promises depended on the development of independent work, and were shattered by the Industrial Revolution, causing egalitarians to become seriously disillusioned with the free market ideal. First of all, men’s independence depended on their command over their wives’ labour (p. 32). In addition, the creation of large factories and the resultant economies of scale completely overwhelmed the economy of small proprietors (p.33), drastically reducing their opportunities for self-employment. The division of labour and rise of industrial wage labour widened the gulf between employees and employers. Egalitarians looked on in disgust as the model of the self-employed artisan was destroyed in favour of “wage slavery.”

Elizabeth Anderson stresses the need to analyse concepts in the social context in which they emerged. The numerous examples she gives of real situations experienced by employees in today’s world of work are evidence of the fact that the free market ideal, which once embodied an emancipatory political project, is now used as an excuse to trample on workers’ dignity: the free market threatens the very thing that once legitimised its establishment. Anderson therefore attacks the discourses that continue to present it today as a vehicle of justice. Their vision is rooted in a context that was radically different from ours and

which has been invalidated by history. For the author, fighting against abuses of power in the labour market means putting an end to the rhetoric of freedom which originated in the 18<sup>th</sup> century and which misrepresents contemporary relations of subordination as egalitarian relations.

## **Wage labour: an inherently hierarchical relationship**

As Elizabeth Anderson explains, the “illusion of workers’ freedom” (p. 50) is still deeply ingrained in public discourse in the United States. This illusion is sustained particularly by the corporate theorists Harold Demsetz and Armen Alchian, whom she quotes, and by libertarians such as Tyler Cowen, whose responses to the lectures are included in the book. Indeed, from a libertarian point of view, any attempt to regulate the working world is an attack on the right to enter into a contract, a paternalistic attack on workers’ right over their bodies and, finally, an attack on employers’ property and their right to run their company as they see fit. For Anderson, this means that economic models are incapable of taking account of *constraints* in the *private* sphere, because everything related to the *private* sphere is associated with *liberty*, whereas constraint is always linked to the *public* sphere (p. 44).

This tendency is not uncommon in Europe. In France, for example, the recent debates on the Labour Code are a good illustration of the growing refusal to acknowledge corporate power relations and are evidence of the desire to regulate through “horizontal” negotiations which were previously regulated by laws<sup>2</sup>.

As Anderson explains, however (along with all those also calling for the regulation of labour relations), reducing the creation of regulations to mere negotiations means that many employees are left facing an unequal relationship with their employer. Here, the author draws on the theory of the firm as proposed by economists such as Ronald Coase, who holds that large firms dominate the economy because they are more efficient than a hotchpotch of temporary contracts between self-employed entrepreneurs. She explains that firms’ greater responsiveness and flexibility in fact conceal corporate executives’ capacity to shift their expectations of employees more or less arbitrarily and unpredictably (p. 56). Wage labour, by guaranteeing a long-term collaboration that is relatively vague in terms of services provided, is infinitely more efficient than an egalitarian relationship that needs to be renegotiated on a regular basis. She concludes that hierarchies and subordination form the core principle of

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<sup>2</sup> Alain Supiot, *Le Droit du Travail*, PUF, *Que Sais-je*, 2016; “La contractualisation de la société”, in Y. Michaux (ed.) *Qu’est-ce que l’humain ? Travaux de l’Université de tous les savoirs*, vol. 2, Paris, O. Jacob, 2000, pp. 157-167.

business creation and are inherent to their functioning today. It would be absurd to model them on a free market exchange between equals.

Furthermore, Anderson criticizes the argument that if individuals are free to exit a relationship, authority cannot exist within it:

“This is like saying that Mussolini was not a dictator, because Italians could emigrate.”  
(p. 55)

The combination of economic pressure, job scarcity and a lack of companies with an alternative form of organisation weakens employees’ chances of terminating a contract at any time.

For Elizabeth Anderson, protecting the equality and liberty of employees therefore requires turning one’s back on a contractualist, market-based vision of wage labour. In order to better conceive and question the asymmetry of workplace power relations, she has developed the notion of *private government*.

## **From private government to democratic business management?**

The purpose of these lectures was of course to highlight a worrying phenomenon, but also to explain why it is not perceived as such and develop the conceptual tools needed to counter it. In that sense, Anderson’s development of the theoretical concept of *private government* is almost more pivotal than her alarming enumeration of real situations experienced by employees.

According to Anderson, the government “exists wherever some have the authority to issue orders to others, backed by sanctions, in one or more domains of life” (p. 42). The nature of the power exercised by companies over their employees is therefore of a *governmental* nature. They effectively have the authority to issue commands and monitor various areas of their employees’ lives (Anderson cites cases in which employers in the United States interfere in their employees’ love lives, health or online activity).

Companies are a source of binding standards, and until this becomes part of public discourse, these standards will remain arbitrary and anti-democratic, because they go unchecked. Indeed, this form of government remains “private” in the sense that those affected by its decisions – namely the employees – cannot question the legitimacy of those decisions and are required to submit to this arbitrary power (or emigrate). Anderson shows that for a State, deregulating or failing to regulate is in fact tantamount to expanding the regulatory scope of *private government*.

The notion of government has always gone hand in hand with questions regarding its legitimacy. The idea of creating a parallel between the decision-making structures of the State and those of the company in order to highlight the tension between our democratic principles and the subordination endured by employees is not new. As early as the 1830s, a socialist slogan whose purpose was to destroy the “new feudalism” that was being established in factories urged people to “bring the Republic down into the workshop.”<sup>3</sup> This idea was also taken up by the social Catholics of the Le Sillon movement in the late 19<sup>th</sup> century, which stated that it was not possible to “have the republic in society while the monarchy remains in the company.”<sup>4</sup>

In his critique of Anderson’s book, Abraham Singer wonders whether the uberisation of the workplace and the rise of the gig economy have rendered wage labour language and the idea of a monarchy in the workplace obsolete.<sup>5</sup> Nevertheless, contracts between platforms and “self-employed collaborators” probably give companies more power over workers than traditional wage relations, particularly by putting different partners in competition with one another.<sup>6</sup> This is especially true considering that these new jobs do not provide the social or legal guarantees that come with traditional salaried jobs.<sup>7</sup> In addition, for the moment the platform economy and self-employed labour are statistically marginal: in France, for example, only 1 worker in 10 is not a salaried employee. The vast number of examples cited by Anderson illustrates the fact that wage labour and abuses of power are still a reality in the 21<sup>st</sup> century: in companies in the United States, employees are subjected to undignified working conditions that actually undermine their physical well-being.

Over the course of the book, Elizabeth Anderson proves that without regulation, private property rights, particularly in the working world, become a breeding ground for hierarchies of every kind. Readers in Western Europe will certainly agree, and will also welcome the fact that their country has already chosen the path Anderson is calling for the United States to follow, and will wonder how it is possible that poultry workers’ right to use the bathroom once in an eight-hour shift can be questioned under any existing principle. And yet the same readers will no doubt be surprised that this scathing argument against companies’ “dictatorial” power ends... with a eulogy of the “German codetermination model” (p. 70). For those who know that a growing number of German researchers have expressed alarm over the increasing precariousness of workers in their country, and have drawn attention

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<sup>3</sup> Cited by Pierre Rosanvallon in *La Démocratie inachevée : Histoire de la souveraineté du peuple en France*, Paris, Gallimard, 2003, p. 340.

<sup>4</sup> *Ibid.*, p. 342.

<sup>5</sup> <http://blogs.lse.ac.uk/lsereviewofbooks/2017/12/04/book-review-private-government-how-employers-rule-our-lives-and-why-we-dont-talk-about-it-by-elizabeth-anderson/>

<sup>6</sup> Fabien Mariotti, *Qui gouverne l'entreprise en réseau ?* Paris, Presses de Sciences Po, Paris, 2005.

<sup>7</sup> Olivia Montel, *L'économie des plateformes, enjeux pour la croissance, le travail, l'emploi et les politiques publiques*, DARES consultation paper, n° 213, August 2017.

to the emergence of a new kind of conflict between social partners,<sup>8</sup> the end of Elizabeth Anderson's lectures leaves much to be desired. Do the worrying workplace conditions that she describes not merit more radical counter-measures? Her proposals – facilitating exit, regulating labour relations under proper rule of law, providing employees with subjective rights, and amplifying their voice within companies through participatory mechanisms – are disappointing due to both their vagueness and their tentativeness.

With regard to her first solution – exit – she cites contractual barriers, such as noncompete clauses that bar employees from working for companies in the same industry (p. 66). It is vitally important that these clauses be removed, but as she points out elsewhere, this solution is entirely insufficient: in a context of increasing job scarcity, the exit option is immediately compromised by the lack of viable alternatives.

Her proposal to empower workers by giving them a greater voice also lacks radicalism. Consulting employees from time to time on their working conditions can never be a substitute for the joint drafting of rules.<sup>9</sup> Having proven that a company is a government, Anderson rules out any possibility of democratising it for good. Resolving the issue of the anti-democratic nature of contemporary firms by giving employees a stronger voice means denying that a company's actions, even when supported by all of its members, often have an impact on a whole host of other individuals whose opinion goes unheard. In order to democratise the firm it would no doubt be necessary to introduce citizens' control mechanisms enabling employees and representatives of capital – as well as other social actors interested in a firm's activity and affected by its decisions – to have their say in its management.

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<sup>8</sup> On the erosion of the Rhineland model and the emergence of new conflicts between social partners, see Wolfgang Streeck, "Von Konflikt ohne Partnerschaft zu Partnerschaft ohne Konflikt: Industrielle Beziehungen in Deutschland", *Industrielle Beziehungen*, n° 1 (2016). For an overview in French, see Ingrid Artus, *Allemagne. La vague gréviste de 2015 — causes, résultats, perspectives*, Chronique internationale de l'IRES, n° 157 (March 2017). On the rise in poor workers, see, for example, *Arm trotz Arbeit : in Deutschland hat sich Erwerbsarmut seit 2004 verdoppelt – stärkster Anstieg unter 18 EU-Ländern*, Hans-Böckler-Stiftung, 7 June 2017.

<sup>9</sup> Alex Gourevitch, *From Slavery to the Cooperative Commonwealth: Labor and Republican Liberty in the Nineteenth Century*, New York, Cambridge University Press, 2015.