

A POLITICAL THEORY OF THE FIRM ANCHORED IN THE LABOR INVESTMENT IT NECESSITATES

Descriptive Challenges and Normative Stakes of
the Firm as a Political Entity

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I. Descriptive Challenges

1. What is a Firm?
2. What is Labor Investment?

II. Normative Stakes

1. Who Should Govern the Firm?
2. What Would the transition look like?
3. The Role of Unions?



insight from legal scholarship
(Ellerman, Robé)

corporation vs firm

**what do we do with that
difference?**

What is a **corporation**?

Descriptive Account

= the **legal structuring of capital**

a **legal concept**: a group of capital investors get organized via a certificate of incorporation, and is **granted *moral persona*** by the State
= a **legal entity**
run by a **Board of Directors empowered** to mobilize the assets of that entity to enter contracts (commercial, and labor) =
to develop a *firm*
i.e. « building the firm around the corporation » (Robé 2011)

What is a **firm**?

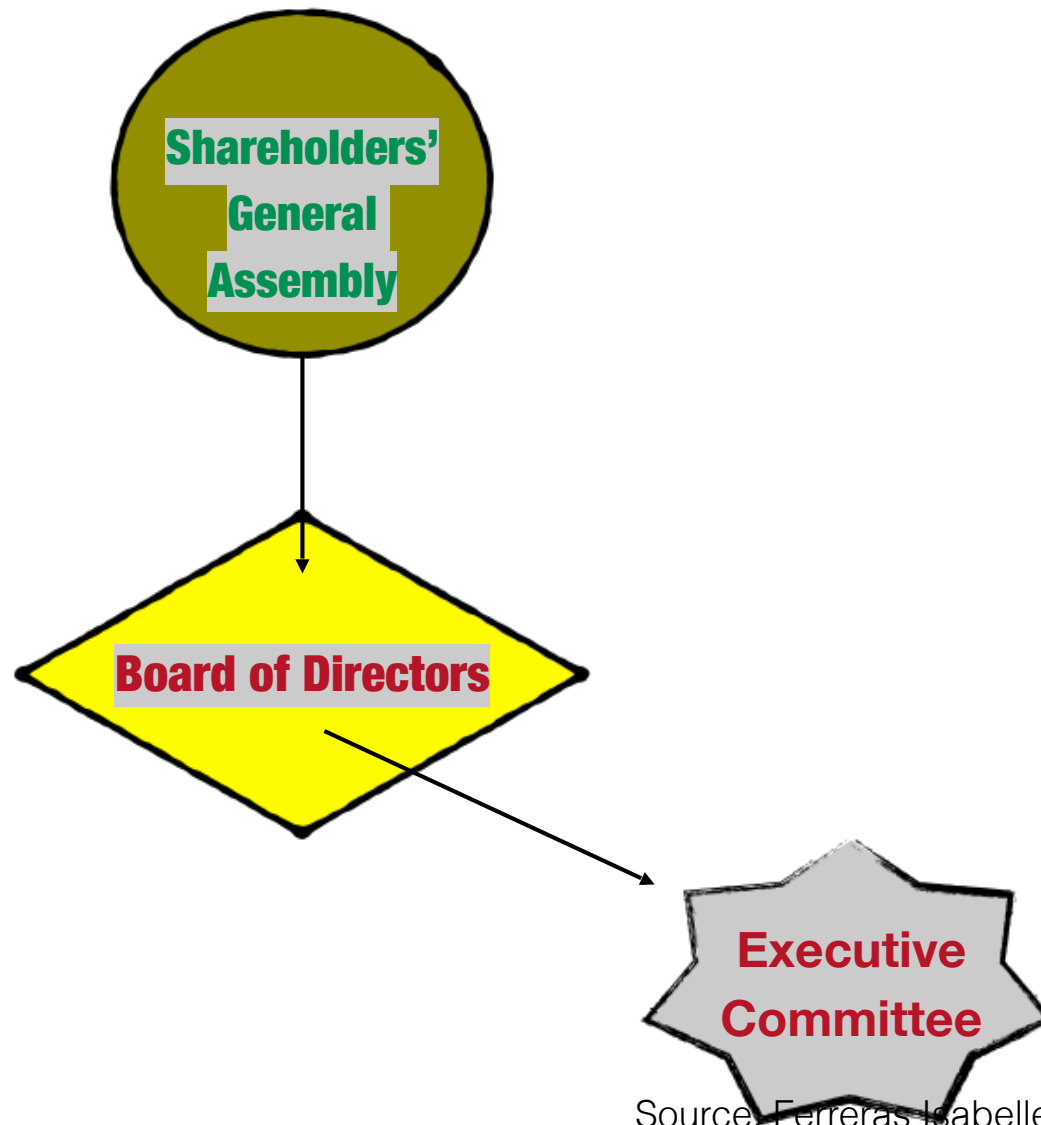
Descriptive Account

The **firm** is a much larger reality, a fundamentally **political entity**, one that has not yet been properly understood, and has yet to be addressed as such by the law.

= an **entity**, whose existence depends on ongoing decisions about the goals of the coordinated actions pursued within it, which are bound up in issues of **efficiency** and **justice**, depend on **2 classes of investments** (capital and labor), and **affect** the lives of all those involved.
(Ferrerias 2017)

The Firm = A Political Entity

The Structure of Government of the Corporation rules the Firm



Source: Ferreras Isabelle, 2017, *Firms as Political Entities*.
Saving Democracy through Economic Bicameralism, Cambridge University Press

Today, in the context of global finance capitalism:

The institutional structuring of organized capital

rules the firm.

Capital investors behave like despots. Only they are organized, and do enjoy political rights.



Facing Despotism

Political rights go to injecting capital



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facebook.
Microsoft
Alphabet
Apple

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Labor investors

Work is an ***investment*** by those who perform it.

NOT a **quantified, external thing** (in this case, money or assets) to be used as an instrument to obtain a desired external end (i.e. profit).

= work is an investment in the sense that **a worker *invests*** not just their skill, time, and effort, but **their entire person** – their physical self, their intelligence, their emotions = mental and physical health – **in their labor**.

= **getting around legal ascriptions**: this concept helps bring in the workers which are not in a standard contract employment with the firm: yet, the very existence of the firm depend on them i.e.their labor investment.

example

Uber corp = 0 if drivers are not in.

The firm = Uber corporation + drivers.

I. Descriptive Challenges

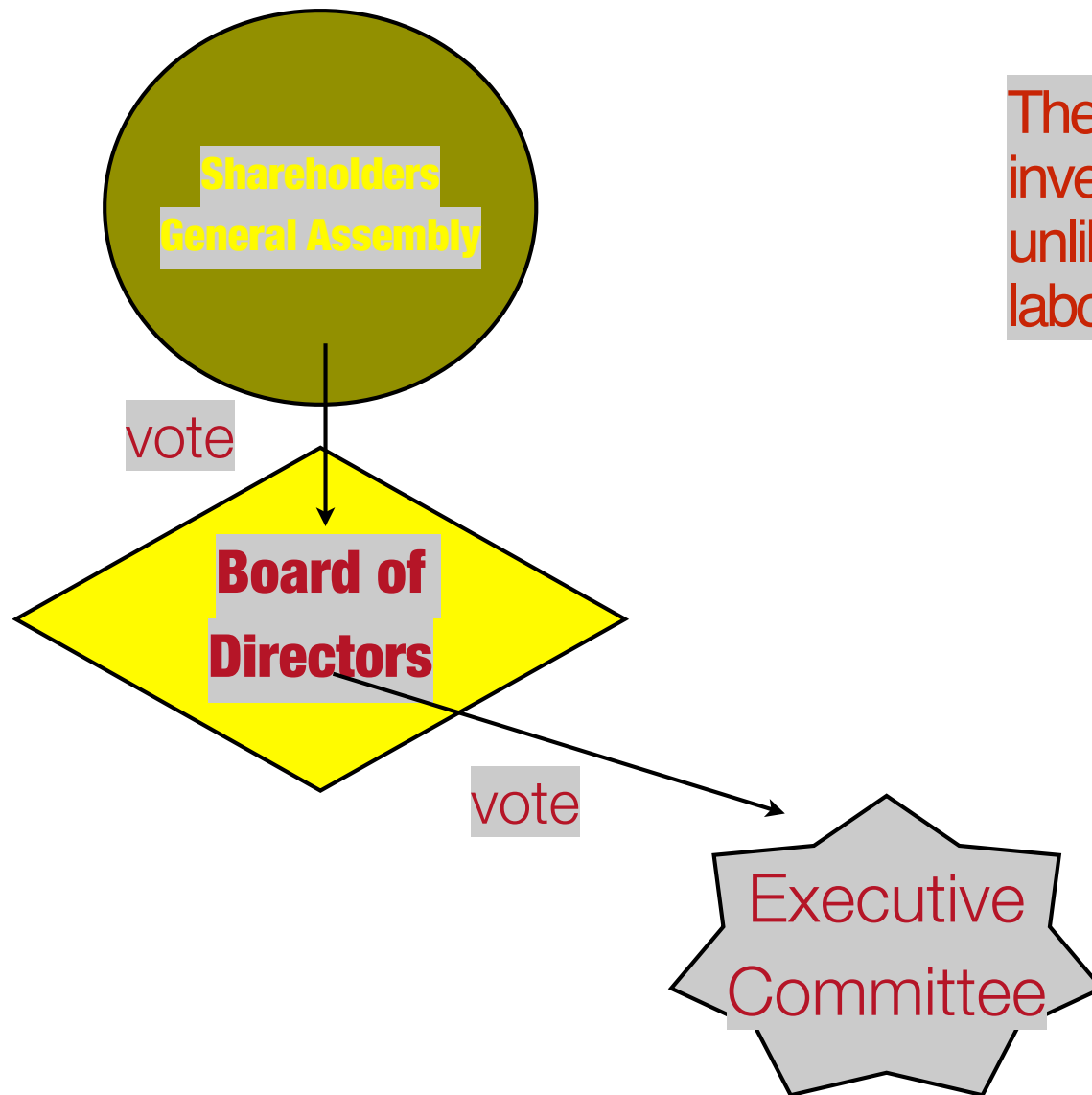
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Considering the corporate firm
as a **political entity** *in transition*

See it as governed by a *monocameral* government



The representation of capital
investors has been organized,
unlike the representation of
labor investors...

Wondering

whether Stakeholder Capitalism
offers a serious alternative to
Shareholder Primacy?

US Business Roundtable (August 2019)

For more than forty years, the Business Roundtable endorsed **shareholder primacy** as the defining purpose of a corporation.

“stakeholders” = *customers, suppliers, the communities in which they work, shareholders, and employees.*

v.

All stakeholders are *impacted*.

Only **labor investors** are governed by the rules of the firm,

include all workers (gig workers, outsourced etc.)

=> **Those governed** should have the collective **right to bear on (the firm's) government.**

Considering the Firm as a **Political Entity** *in the democratic transition*

One key institutional innovation keeps coming back from Antiquity to modernity in the history of democratization:

The '**bicameral moment**', enables the recognition of the ignored constituency

=> The dominant group *accepted/was forced* **to be vetoed by the representatives of the previously disenfranchised group.**

Labor disputes weighing on the ends of the firm (‘strategic’/government level)

In June 2019, 8,000 Amazon employees signed a letter to its shareholders to ask that company strategy be aligned to respect planetary boundaries as detailed in the latest IPCC report.

Recently, on January 6, 2021, Twitter and Facebook employees were instrumental in their pressure on the CEO to ban the President of the US out of their social network.

Not surprising to see that workers expect to have a SAY! = democratic justice!

I have showed (Ferreras 2007) that the work experience is a political experience = mobilizes people’s conceptions about justice.

I. Descriptive Challenges

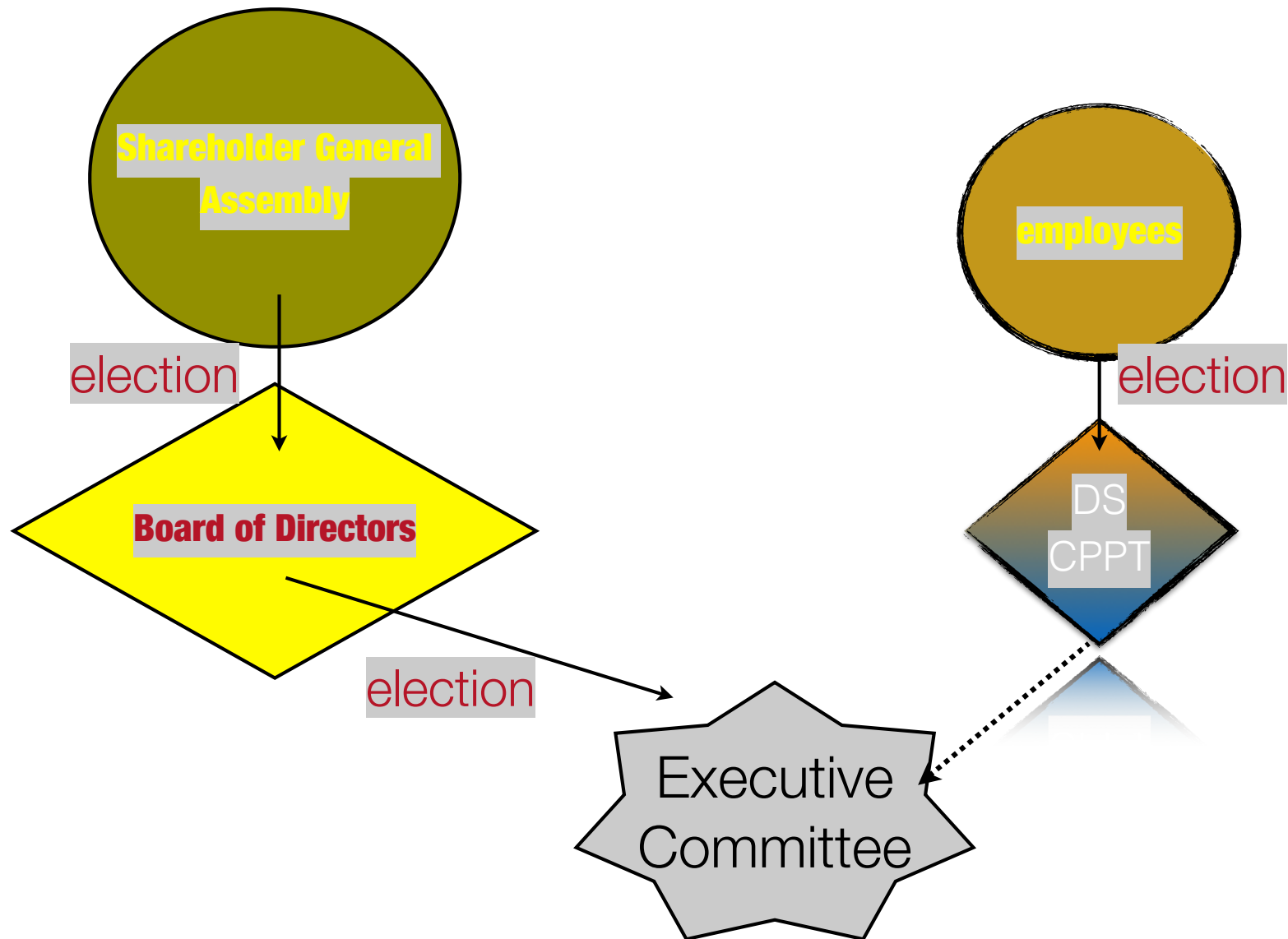
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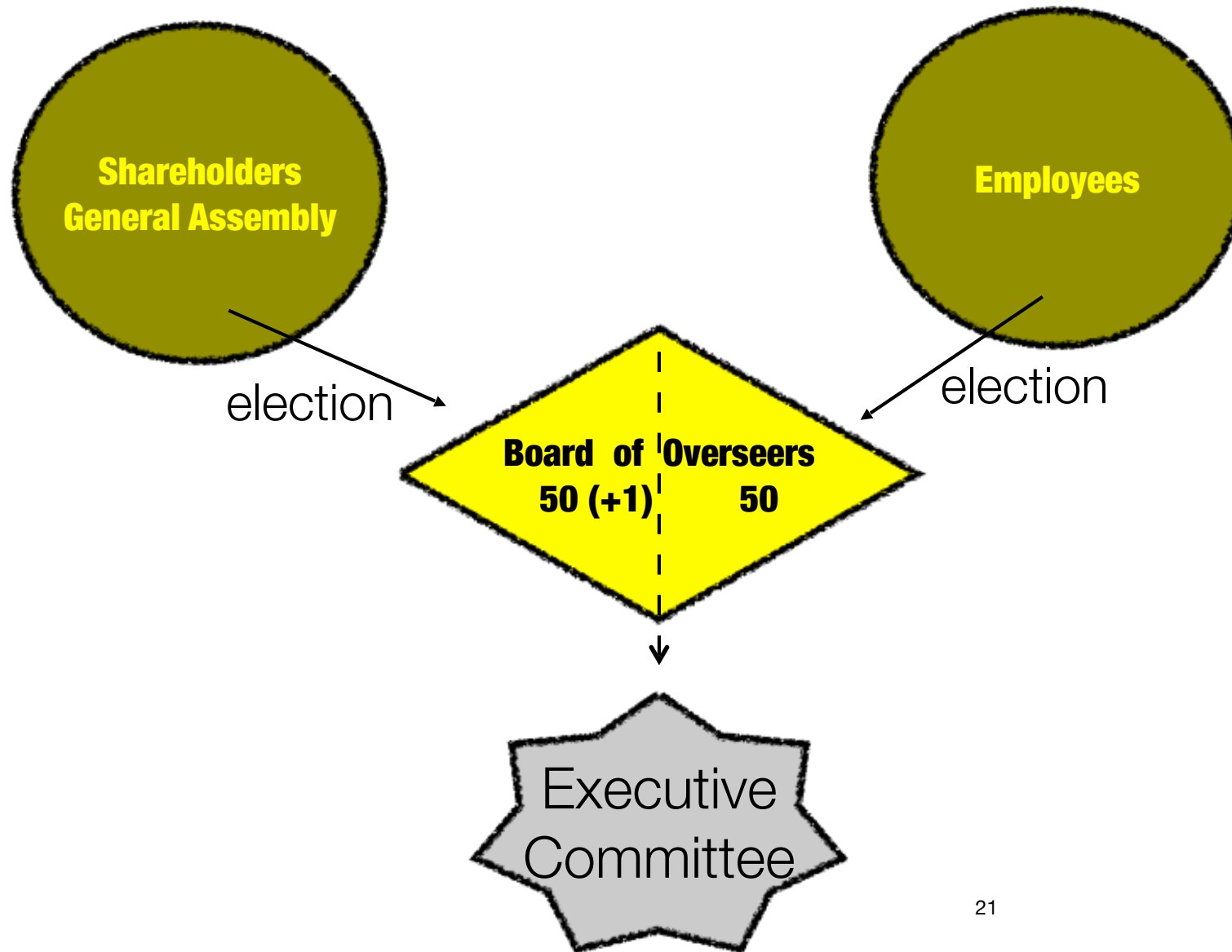
Weak Social-democracies with serious labor rights:

Still a capitalist monocameral government of the firm

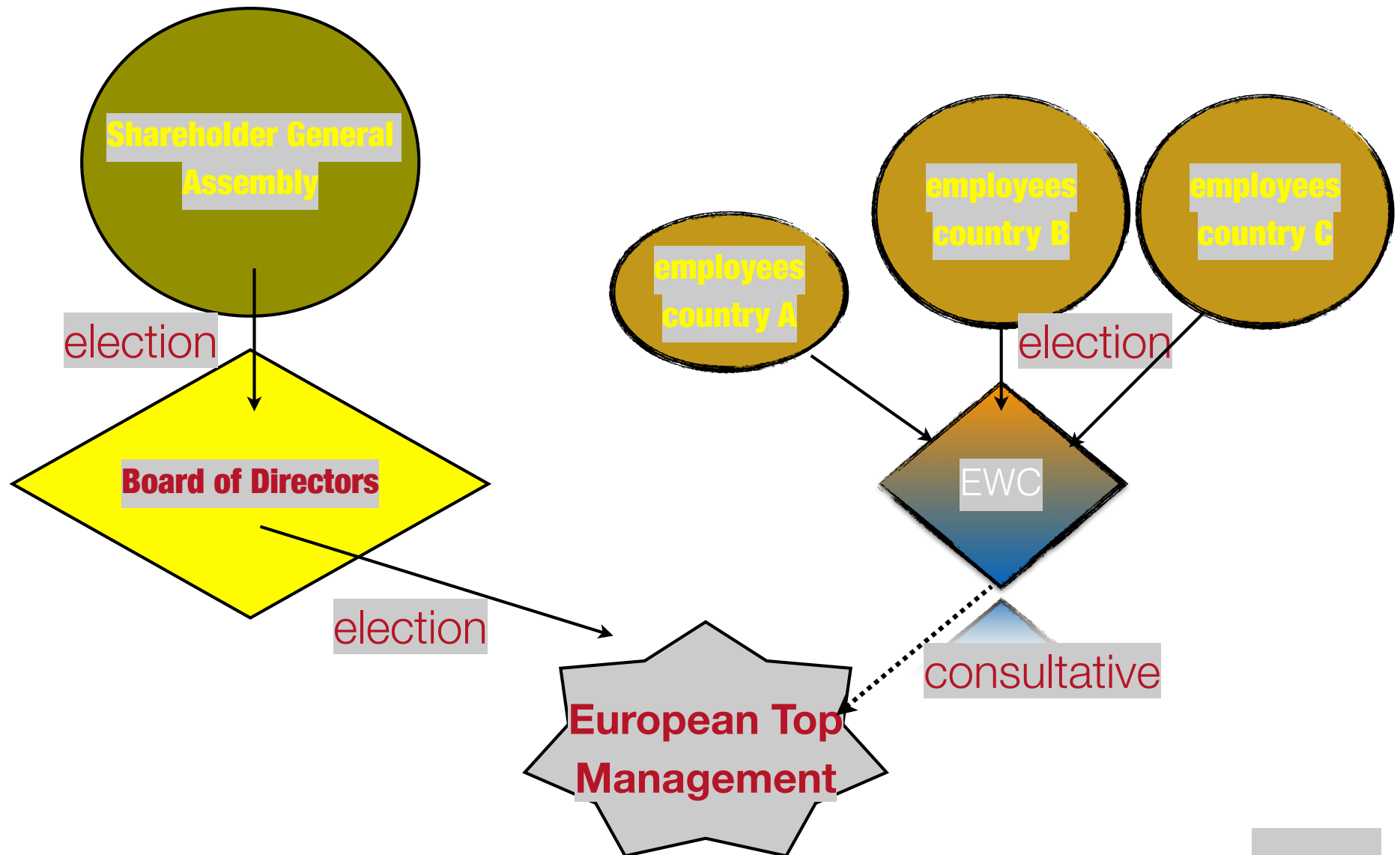


German Co-determination (Mitbestimmung) Firm 'false parity'

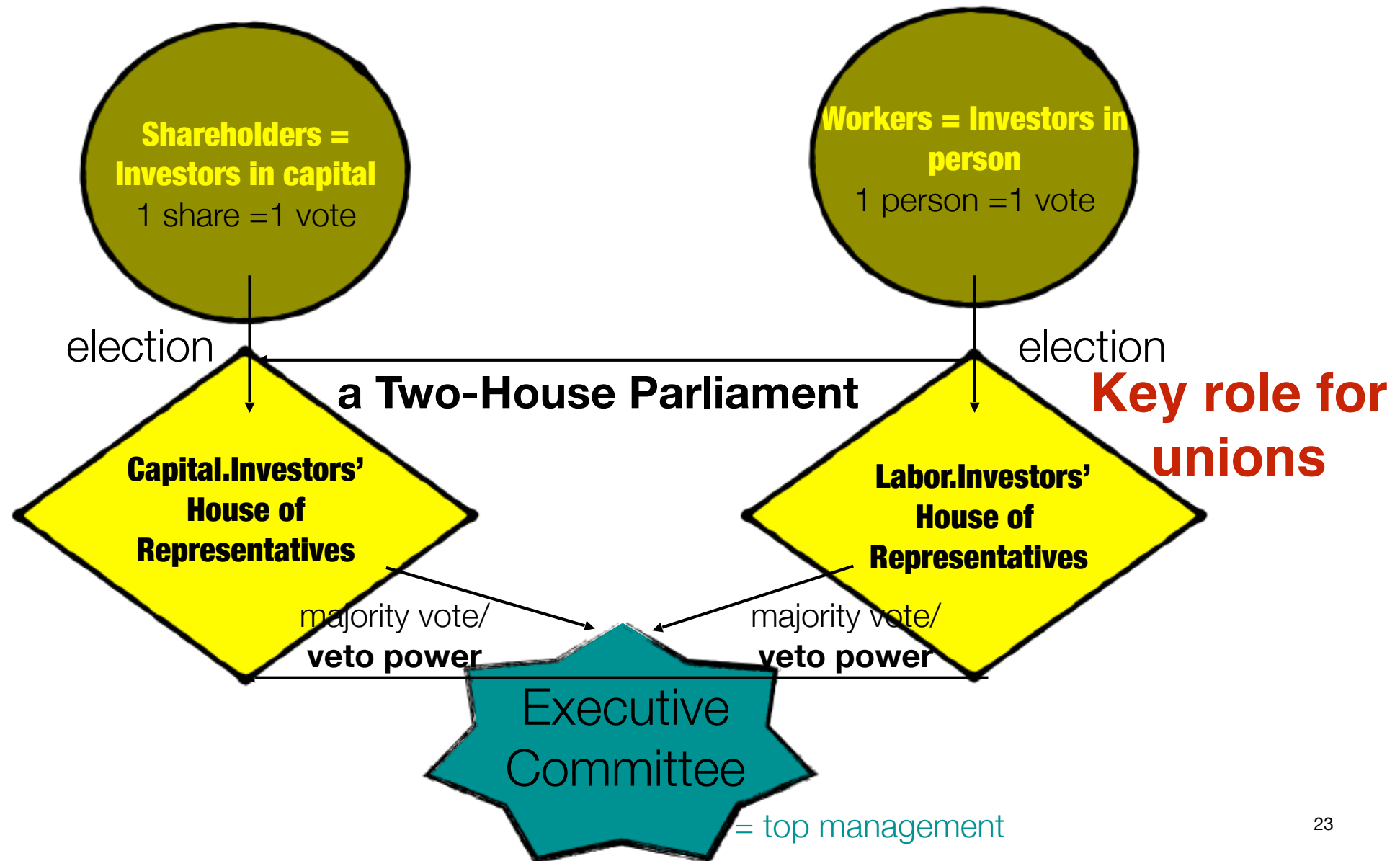
Still a *Monocameral* Firm



European Works Councils (since 1994 EU Directive)
> 1000 workers or > 2x150 in 2 EU countries



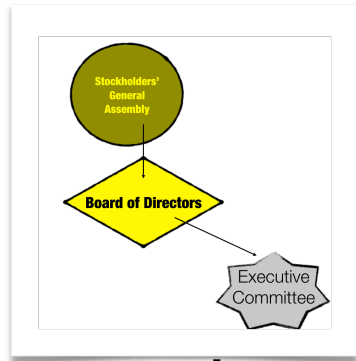
Proposal: the ***Bicameral Firm***, a Two-House Parliament



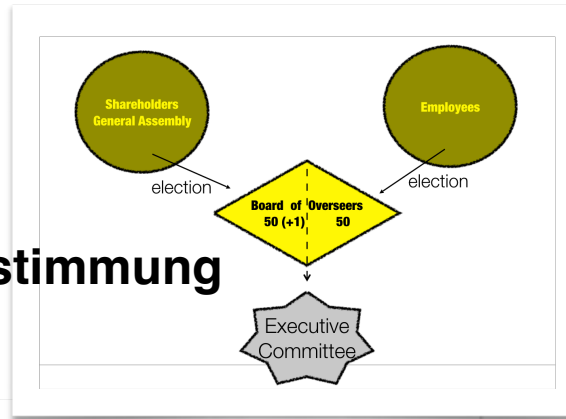
A Quest for *Economic* **Citizenship**

= intuition at the heart of the institutions of industrial relations

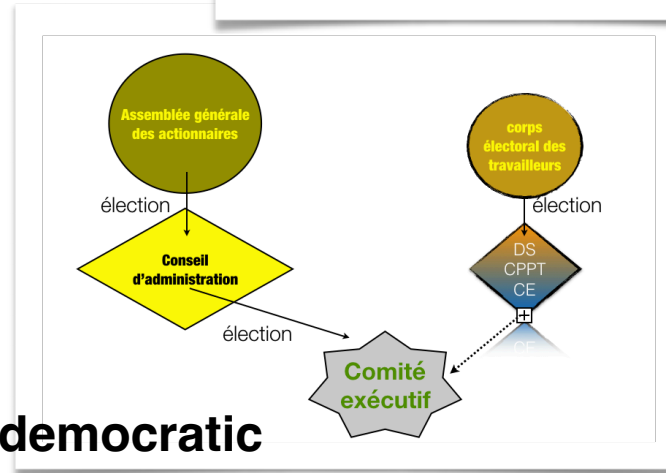
**Monocameral
Capitalist Firm**



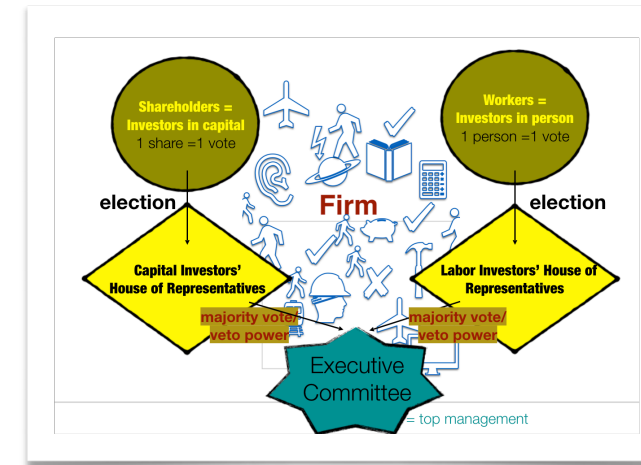
**Mit-Bestimmung
Firm**



**Social-democratic
Firm
(Works Council)**



Bicameral Firm



INTREGRATE

firms into the long history of the **democratic project**

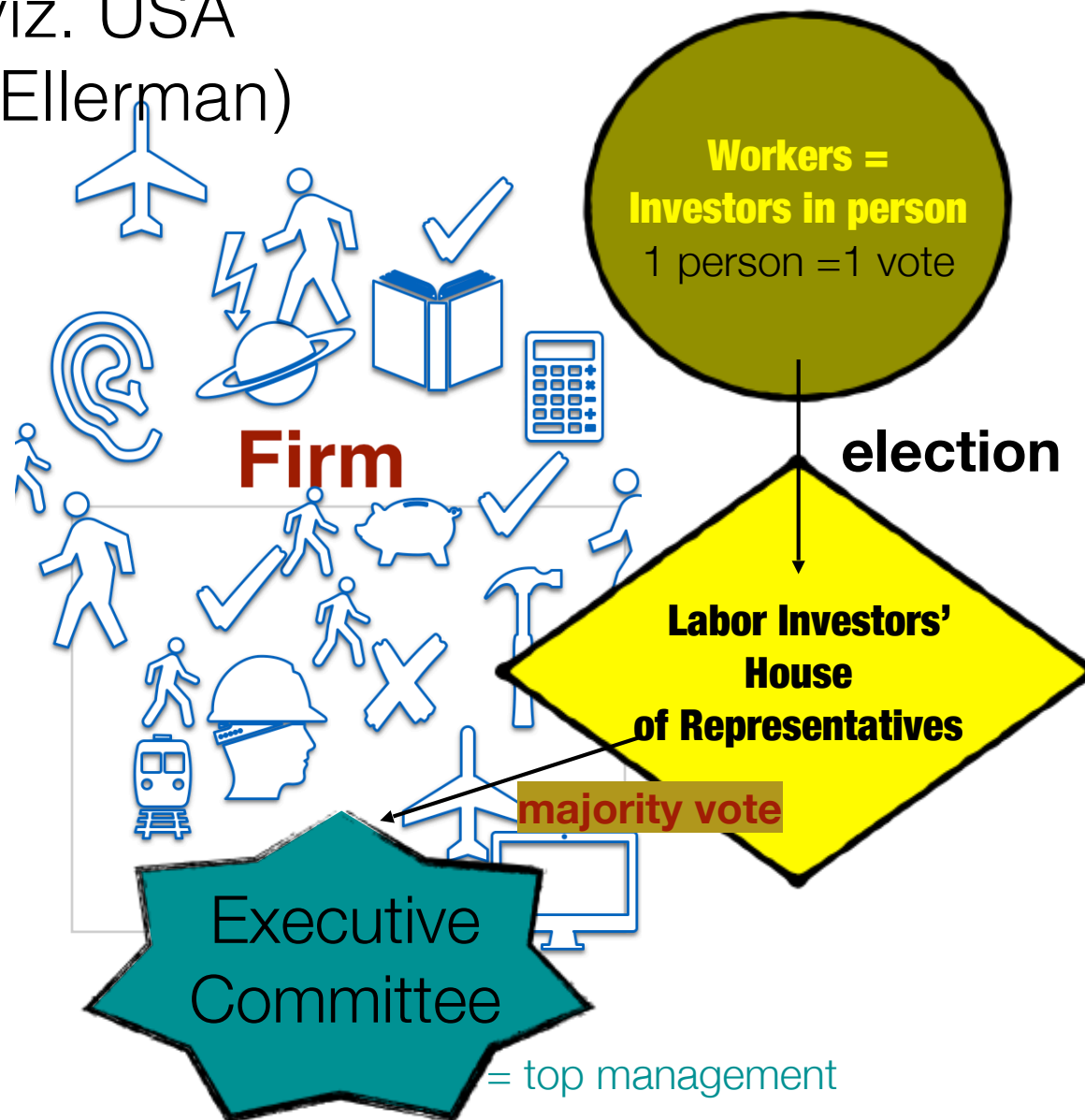
Democratic regulative ideal:

To decouple political rights from property

(Piketty 2020)

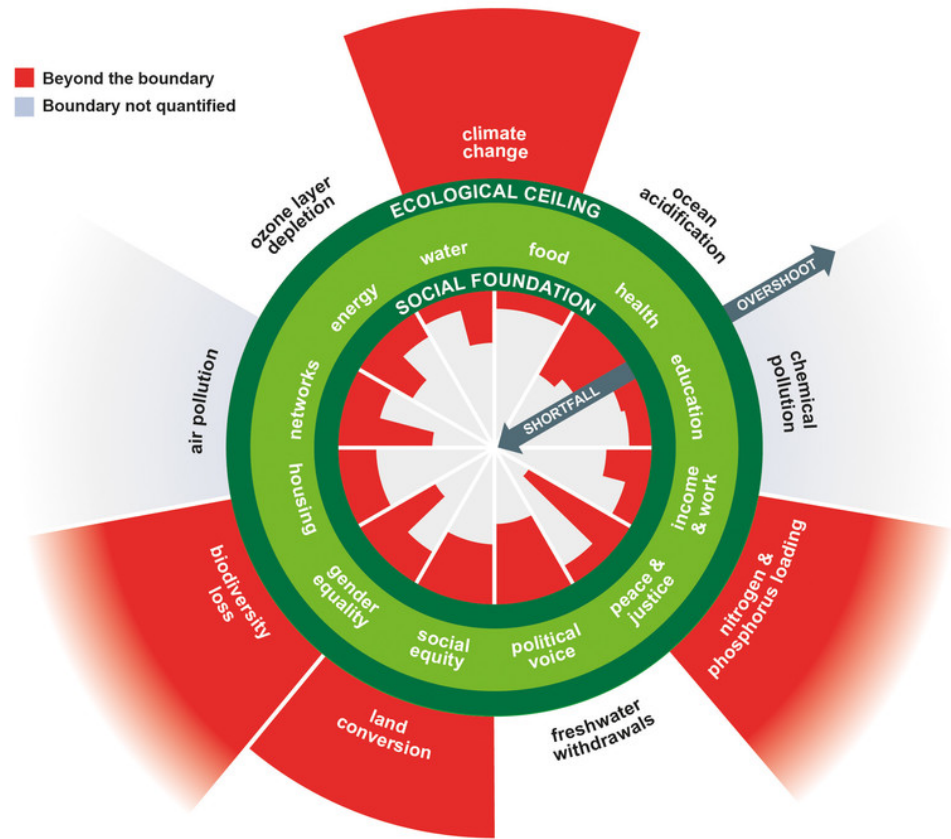
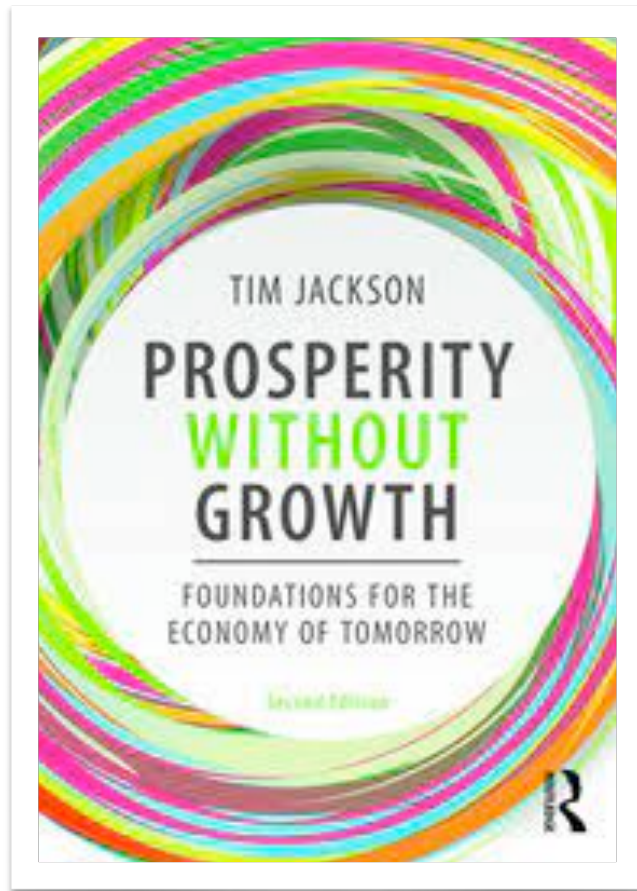
Regulative Ideal: worker-governed, democratic firms. A Transition toward **Full Economic Citizenship**

Via ESOP Plans viz. USA
& Renting Capital (Ellerman)



Urgency to move beyond the current extractive model of corporate governance

(Jackson 2016, Raworth 2019)



May 16, 2020

POLITIKEN

Onsdag

INTERNATIONALT | DANMARK | KULTUR | DEBAT | KLIMA | INTERNATIONALT | SPORT | FORBRUG OG LIV | IBYE | MEI

Kan du forudsige EM? Prøv Politikens EM

Tre tusinde forskere fra op med arbejde som en

Den franske stjerneøkonom Thomas Piketty og tusindvis af efter coronakrisen. En kommunistisk model, mener Dansk

AUTOMATISK OPLÆSNING

?

ambito.com

Read more

Trabajo. Democratizar. Desmercantilizar. Descontaminar

OPINIONES 16 mayo 2020 - 00:00

Académicos de todo el mundo firmaron un manifiesto conjunto, sobre la necesidad de democratizar las empresas y desmercantilizar el trabajo. Proponen una mejor representación de

#DEMOCRATIZINGWORK

750+ universities

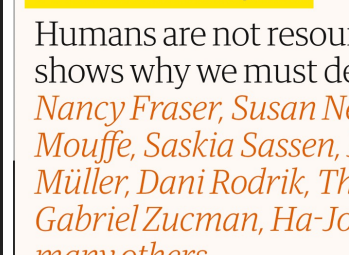
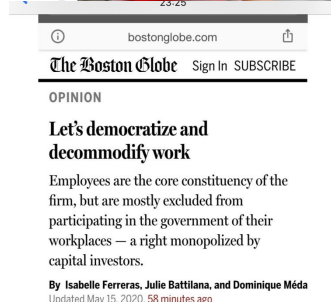
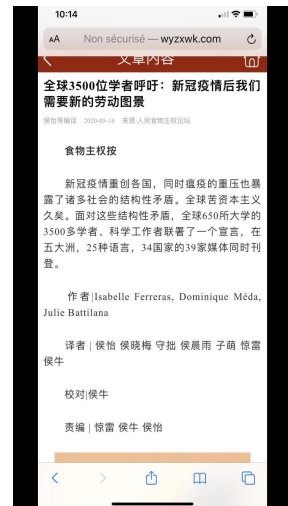
3,000+ researchers

43 newspapers

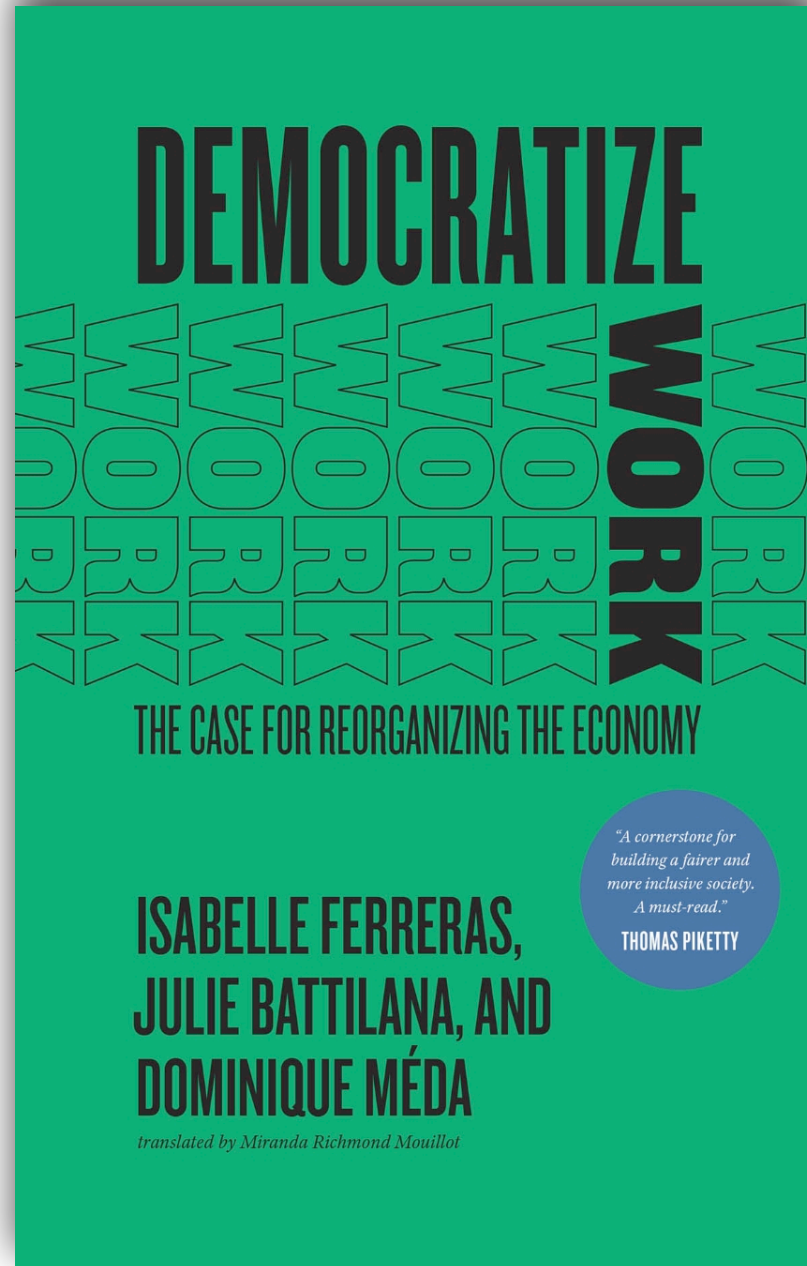
36 countries

27 languages

13 female scholars leading



<https://DemocratizingWork.org>



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