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Market socialism, labour market domination, and the state as employer of last resort

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ABSTRACT

This paper assesses the claim that to avoid labour market domination we must be market socialists committed to an extensive sector of worker-owned firms. The labour republican tradition offers three perspectives on this argument: Ellerman argues that non-domination demands that all workplaces be worker owned. Hockett has argued that it demands a policy that the state function as the employer of last resort. Taylor argues that all that republicanism requires is a strengthened exit right for workers. This paper develops the claim that mandatory market socialism would be illiberal by thinning the market for labour and removing the fair value of exit rights. The most reasonable view, overall, accepts that the state must be the employer of last resort so as to eliminate labour market domination, but this is a macro-level commitment that does not place any meso-level restrictions on the nature of the firm.

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This paper assesses the market socialist claim that all workplaces ought to be democratised. It focuses on a specific version of this thesis: that we ought to secure, by legislation, that worker-owned co-operatives are either the dominant, or the comprehensive, legally recognised institutional form in the economy of a particular society (Ellerman, 1992, 2007, 2010, 2016, 2018; Malleson, 2014; Schweickart, 2011; Thomas, 2017).

The aim is to build on existing discussions of this thesis by contextualising it in a broader current of labour republican thinking about workplace democracy (Ellerman, 2018; Gourevitch, 2015; Hockett, 2019; Taylor, 2017). In particular, I want to focus on a neglected aspect of this discussion that ought, in my view, to transform the terms of this debate. This is the importance of a background commitment to the state as employer of last resort ('SELR') as part of a deeper

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thesis that this commitment by the state de-commodifies labour as a whole (Hockett, 2019; Thomas, 2020a).¹ The liberal-republican, I will argue, ought to prioritise this issue of de-commodification to the subsidiary issue of the internal democratic structure of workplaces.

In recent philosophy and macro-economics the commitment to SELR as last resort emerges from the neo-Keynesian tradition and it also plays a crucial role in Rawlsian political liberalism (Minsky, 2013; Rawls, 1993, p. lvii; Rawls, 1971/1999, p. 276; Thomas, 2020a).² Given that the aims of this tradition are a full employment and mass consumption economy, one would expect support within it for economic organisations that are employment buffers – which react more slowly than conventional capitalist firms to changes in demand.

It is often urged as a criticism of worker-owned co-operatives that they are slow to produce more at the margins, slow to adopt technological innovations that replace labour, and slow to lay off staff (or, for that matter, to employ new staff).³ Yet most of these features, apart from the last, make a large sector of worker co-operatives highly desirable from a neo-Keynesian point of view: they make employment more ‘sticky’ in response to changes in demand.

I will, therefore, develop in this paper the dual argument that, on the one hand, the role of SELR strengthens the republican argument that workplaces should prevent the domination of workers while falling short of offering workers full democratic control. On the other hand, the state ought, at the macro-level, be active in expanding the worker-owned co-operative sector within an overall commitment to organisational pluralism.⁴

This remains a position clearly distinct from those who seek to make worker-owned co-operatives the legally mandatory dominant economic form in a given society. This is, then, a further defence of Mill’s view that workplace democracies, valuable though they are, must result from the (suitably nudged) free choice of autonomous workers and ought not to be legally mandatory (Thomas, 2017).

¹ As I will explain below, this approach puts productively to use Richard Tuck’s distinction between popular sovereignty and democratic governance (Tuck, 2016).

² I will henceforth use the acronym ‘SELR’ alone for brevity.

³ All of these features are readily explicable given the decision making structure of a worker-owned co-operative. Collective decision making explains why a group of worker-owners are unlikely to adopt a policy that leads to some of their own number being made compulsorily redundant either as a result of technological innovation or a downturn in demand for the co-operative’s products. Similarly, there is a technical argument that capitalist firms will produce an extra widget if there is any marginal profit in doing so, while this incentive is tempered in a worker-owned co-operative where any marginal profit has to be shared amongst all its members. This latter argument is a merely technical one that seems, in fact, to have no empirical confirmation (Hebenton, 2020).

⁴ In the interests of consistency I rely here on the distinction between legally mandating that a certain economic form be dominant and putting in place a set of nudges that make the development of widespread employee ownership probable, under reasonable conditions, but not mandatory.

1. Three justificatory strategies

In setting out three labour republican approaches to workplace democracy I think it is helpful to cross-classify them by the strategy of implementation that each implies. The three proposals I will discuss justify worker-owned co-operatives from a *macro*-economic, *meso*-economic and *micro*-economic perspective.⁵ My main aim will be to contrast these strategies of justification as distinct answers to this question: what makes the labour market non-dominating?

The labour republican tradition offers three answers to this foundational question. I interpret the work of Alex Gourevitch and David Ellerman as making the case that the labour market can be non-dominating for workers only if they always employ themselves (Ellerman, 1992; Gourevitch, 2015). Ellerman has explicated that commitment by arguing that *only* an economy made up wholly of worker-owned firms can meet it (Ellerman, 2015). That is a direct argument from a macro-economic thesis about labour as a whole, to its meso-economic institutional implications, to further implications for the *micro*-economic perspective of individual choice.

A second, contrasting, view is the argument developed by Robert Hockett (Hockett, 2019). For Hockett, in order for the labour market to be non-dominating, it must be underwritten by the sovereign power of a state that implements SELR. It is that argument that I will be developing in this paper.

The difference between these first two views is crucial for my argument here: for this latter strand within the labour republican tradition, this is a direct argument only for a *macro*-economic commitment. That makes it compatible with the kind of associational pluralism I also want to defend.

In Hockett's formulation, we need invert the order of justification. Simply because the private labour market is far larger, and economically more dominant, than the public labour market we might think of the latter as a residual, fail safe, mechanism. We may also be tempted to view the kind of work it offers as, in some way, 'second grade'. From a justificatory point of view, this is a reversal of the correct order of priority. Hockett argues that a non-dominating private labour market is justified – either morally or politically – if the state has already put in place a full employment public market relative to which the private labour market has a derived justification (Hockett, 2019). The former is required; the latter merely permitted.

I will discuss his argument further, below; here I note that this is a macro-commitment. With it in place, we are not constrained at the meso- and micro-level as we are in Ellerman's version of the view. My Millian defence of worker-owned co-operatives as a valuable associational form, but one which can only nudge into existence by democratic means, is obviously compatible with this view. Indeed, this paper, I will defend Hockett's solution as bringing out the key

⁵ One of these terms is less familiar than the others: by 'meso-economic' I mean a justification pitched at the level of institutional forms (Mazzucato, 2018, p. 43).

justificatory role of the commitment to SELR that is part of both Rawls's theory of justice and liberal-republicanism.

Both of these options contrast with the third option that I will consider. In his book *Exit Left*, Robert Taylor has argued that a republican account of labour requires *only* (fair valued) exit rights. Taylor argues that:

In the context of labor markets, where workers are vulnerable to domination from managers and capitalists, securing competition and free exit requires what I call an 'Anglo-Nordic' package of policies, including informational campaigns, labor-market reform, aggressive antitrust, capitalist demogrants, and a basic income. (Taylor, 2017, p. 7)

You might characterise this as a *micro-level* justification: it is individuals whose exit rights from a dominating labour market are to be strengthened. But that would be unfair to Taylor: his view clearly includes a macro-economic commitment. He views a suitably reformed welfare state capitalism as capable of being just (whereas I do not) and this is the macro-context for his specific proposals about strengthening exit.

Once again, the crucial issue is whether the state functions as the employer of last resort. Taylor's 'Anglo-Nordic' welfare state capitalism will certainly include active labour market policies where the state intervenes strongly to counteract anticipated shifts in the employment cycle. But that it is still not the same as a commitment to the policy of SELR (Minsky, 2013).

2. A neo-Millian view defended

In my view, a liberal market socialism has to be compatible with an individual's basic liberties of free association and choice of employment (Mill, 1871/2008).⁶ To that end, I have argued that it could only be one associational form amongst others in an economy and be not legally mandated to be its dominant form. If workplace co-operatives are mandatory, then they thin out the market for labour as well as plausibly, in other respects, being fundamentally illiberal (Arnold, 1994; Taylor, 2014; Thomas, 2017). The worker dominated in a workplace democracy has only the choice of moving to another in order to be dominated once again.⁷ This removes a worker's primary protection from exploitation, namely, a right to exit that exists not merely formally under law,

⁶ I fully accept Samuel Freeman's point that the basic liberty of free association, while it grounds a right to free choice of occupation, does not ground a right to join an unjust association (Freeman, 2020). However, since whether or not a workplace with or without worker control is unjust or not is precisely the point at issue, this does not settle the debate either way.

⁷ This point also explains why the socialist defender of mandatory workplace democracy cannot simply follow the same strategy I propose and make the state the employer of last resort. That does not blunt the force of the claim that workers are only free to go and be as exploited in other workplace co-operatives as they are in their current co-operative. I will not here repeat the arguments for this conclusion in (reference deleted) where it is further specified and clarified. It certainly matters which conception of worker-owned co-operatives is subject to this critique and my target there was the views of David Schweickart (2002/2011).

but with its fair value guaranteed in two ways. The first is by a universal right to access to capital characteristic of a property-owning democracy; the second is by a guarantee of full employment (Thomas, 2020a).

A liberal-republican economic system is not capitalist in two distinct senses. A property-owning democracy, as Rawls pointed out, is not technically capitalist – he takes his understanding of capitalism from Marx (Rawls, 2001). A capitalist society is one in which a minority of citizens have monopoly control over the major means of production that gives them a structural power to determine the terms on which other citizens work – or whether they work at all. Capitalism in that sense has been eliminated once a property-owning democracy constitutionally guarantees a universal right to fair access to capital to all citizens.

That second point becomes pertinent when a second, class-based, explanation of capitalism is formulated by Michael Kalecki. Why, Kalecki speculated, do capitalists not embrace an ideal of full employment and mass consumption that would increase their profits? (Kalecki, 1943). His well-known answer is that in doing so they would relinquish their political discipline over the labouring classes. They would be unable to resist their demands for a fair share of the productive surplus. Structural unemployment in a private employment market is a class-based weapon exercised by the broad rentier-investor class.

Hence Keynes's famous call for the euthanasia of the rentier class: a minimising of rates of interest on capital and a maximising of the ratio of productive to unproductive uses of capital – in the general context of making capital abundant (Keynes, 1936/1964). It is important to emphasise this second point as, otherwise, Rawls and the liberal-republican can easily be misunderstood as vindicating a petit-bourgeois rentier capitalism. It is this wider context for the liberal-republican's appropriation of some of Rawls's key ideas that is necessary to frame my specific discussion of associational pluralism and the importance of workplace democracy in particular. There is, then, an important difference of emphasis between my view, and those of Gourevitch, Ellerman and Taylor – but no basic disagreement with Hockett. To map out the territory, let me begin with the labour republican tradition as historically recovered by Alex Gourevitch and re-interpreted in natural rights terms by David Ellerman.

3. Labour republicanism in a historic perspective

Alex Gourevitch has argued that the republican tradition that motivated some of the key actors in the American Revolution continued to evolve in the nineteenth century as the American economy industrialised (Gourevitch, 2015). Its starting point was a critique of the institution of slavery, but that institution also existed alongside other dominating labour market practices in the American colonies such as indentured servitude. The abolition of slavery did not impede this labour republican tradition that extended its arguments to so called 'wage

slavery'. In the process, it adapted to the conditions of a mass industrial society (Gourevitch, 2015).

This explains the central importance in Gourevitch's narrative of the late nineteenth-century labour movement known as the 'Knights of Labor'. They recognised the importance of developing the free labour argument in the conditions of an industrialised mass society where it seems the analogy between wage slavery and slavery cannot be sustained because of the role played by consent and wages. The idea of negative liberty sustains the idea that even if one only has one choice, one is acting freely in making that choice if one is not coerced. And the actions of others, in concert, can have the unintended effect of reducing a person's choice to only one and yet they can still be free when they make it (Nozick, 1974, p. 263).

At this stage of the historical argument, no one is making the case that freedom ought not to be a universal condition; nor is anyone denying that wage labourers are not literally slaves. (They are no-one's personal property and they are paid.) The case to be made is that without a high degree of control over one's workplace, there is a structural dependence that arises from the nature of capitalist modes of production notwithstanding the fact that the worker is not dominated by any particular capitalist.⁸ The main challenge to this view comes from the 'laissez-faire republican' whose argument about consent pre-figures the more recent arguments of Hayek and Nozick:

[W]age-labour was free labor because the wage-laborer was sole proprietor of his own labor. In virtue of his legal self-ownership, he exercised the control over his labor that any independent property-owner exercised over property. As such, the wage-laborer was a free laborer in full possession of his republican liberty. (Gourevitch, 2015, p. 48)

As Gourevitch traces out this history, labour republicans always treated the sale of one's labour itself – with an absence of worker capitalisation – as a form of dependence that was assumed to be passing, or temporary: the wage labourer is dependent until he has saved enough income to buy tools, or land. The goal is autarchy. But under industrialised capitalism, it is the sale of labour itself that becomes the dominant economic form with *all* forms of productive property owned by others. The factory worker never owns the tools of the trade nor any capital. Furthermore, the division of labour and the nature of factory labour detached the labourer from control over the productive process (Gourevitch, 2015, p. 51). Even being 'skilled' as opposed to 'unskilled' changes its meaning as part of the complex networks of inter-dependence in modern industrial production.

The conceptual shift in what Gourevitch calls 'laissez-faire republicanism' was to locate republican freedom in the fact that the citizen owns his or her

⁸ An argument that, as I will note below, has recent resonance in the work of Samuel Arnold (2017). I am grateful to an anonymous reviewer for this journal for drawing my attention to this paper.

own productive capacities (Gourevitch, 2015, p. 53). If he or she then freely contracts with an employer, then the worker remains independent in the relevant sense. These private contracts fell outside the scope of any state regulation that would alter the bargaining strength of either party.⁹ The key issue becomes whether the state has any role in protecting workers from unfair bargains and the *laissez-faire* answer is ‘no’ (Gourevitch, 2015, p. 59).

That is because the basis of sound republican self-government is the micro-level good judgement of the individual, responsibly exercised:

The making of contracts to sell property, including one’s own labor, was the activity through which one reproduced one’s independence as a citizen. Contracts were the central medium through which one exercised and realized one’s liberty as a republican citizen because they were the most important way in which the citizen exercised control over his life. The absence of interference in contracts made possible this positive exercise of independent judgement – the kind of judgement, or ‘individual self-government’, every citizen as a citizen was expected to make. (Gourevitch, 2015, p. 60)

Equally crucial here is that a citizen’s productive capacity is folded into the idea of private property: you own your labour power, but you have no ‘inalienable control over the activity of work itself’ (Gourevitch, 2015, p. 61).¹⁰ You hand over to your employer, for a limited period of time, your own property in the guise of your control over your productive capacity via your free consent. Only later in the nineteenth century did a distinctive kind of concern arise: that industrial conditions had changed such that putatively free contracts were undermined by unfree background conditions and unequal power.

This leads to the heart of Gourevitch’s own historical project: to show that a classically liberal approach emerged from republicanism’s collision with the conditions of a mass industrial society involving ‘power, inequality and dependence’ (Gourevitch, 2015, p. 66). They not two opposed traditions, but rather republicanism was the historical precursor to what *became* the classically liberal *laissez-faire* of the post-Lochner tradition of American jurisprudence emerging from these republican origins.

The emerging late nineteenth-century choice point in the American context was this: republicanism would become historically obsolete if it collapsed into ‘romantic agrarian radicalism and a vestigial yearning for petty proprietorship’.¹¹ Or it could adapt, and remain radical, if it sought ‘cooperative ownership and control of productive property’ (Gourevitch, 2015, p. 66). The

⁹ Such ‘state interference’ was viewed as the attempt to reintroduce cartels at the service of those factions who controlled the state – absent any compelling public interest argument.

¹⁰ ‘The self-owning individual exercised control over his own labor in a way that “control” could be understood in an industrial capitalist economy: the control of a property owner’ (Gourevitch, 2015, p. 65).

¹¹ As Gourevitch puts it, ‘There was an alternative possibility for thinking about free labor and wage labor. But this possibility lay not with the petty-proprietor ideal of the individuated, property-owning citizen, so much as with the development of a labor-republican defense of the co-operative organization of work.’ (Gourevitch, 2015, p. 66)

essential precursor to the latter is an argument that legal self-ownership, in itself, is an insufficient protection against the dependence of the worker.

The Knights of Labour knew that a new argument was needed: they supplied one in the claim that, in addition to the 'capital asset' of one's own productive labour, the worker also needed a share of external assets. Unequal ownership structure of those external assets would compel the legally free worker to accept an unfair contract – on pain of destitution. Wages are paid, but so low that they prevent capital accumulation; the capitalist class controls the means of production and access to credit.

For these new labour republicans, the issues of class and structural domination now emerge: the worker is compelled to work by economic necessity because he or she does not control the means of production. The Knights of Labour succeeded in disentangling two ideas: structural domination in a labour market caused by underpinning relations of power and control of capital, and the personal domination of being subject to arbitrary power in the workplace (Gourevitch, 2015, p. 103).¹²

For the Knights, the only redress that preserves the independence of the worker required self-governing worker co-operatives. Only there do we realise the twin aims of 'a condition of self-developing free labor and ... greater leisure time' (Gourevitch, 2015, p. 183). The achievement of these goals could only be via the self-organisation of those currently dominated: a politics of solidarity that requires a class consciousness (Gourevitch, 2015, p. 183).

Thus Gourevitch and – as we shall see – David Ellerman are critics of the laissez-faire republican or classically liberal idea that the essence of free labour is freely to contract on the basis of prior self-ownership. You need, instead, to control work by collectively self-organising with those with whom one is inevitably bound up in the complex modern workplace.¹³ Given the nature of the problem, the only solution is co-operation – both in production and consumption. The alienating division of labour in the modern factory can only be overcome by co-operation, located in a wider co-operative movement in workplaces and across the whole economy.

¹² Their domination was structural insofar as each worker was, owing to his lack of property ownership, dependent on some employer or another for a job. Their domination was personal insofar as the labor contract gave the employer a substantial amount of arbitrary power over the employee' (Gourevitch, 2015, p. 103).

¹³ Gourevitch also has a complementary critique of labour contracts, but less wide-ranging than Ellerman's. His argument is that contracts are, of their nature, incomplete. They set out a framework for expected activity, but once signed the employee discovers that there is a wide range of discretion beyond the contractual terms over which the employer has complete authority – and the employee does not. But there is a trace of Ellerman's concern in Gourevitch's description of 'the incomplete character of contracts and the peculiarity of the labor commodity as *something inseparable from the seller's will*' which implies that it will 'always contain elements of subjection' (Gourevitch, 2015, p. 178). More generally, Gourevitch argues that in American society today more people work, people work for longer hours, they face arbitrary demands over their leisure activity outside and at work and work under conditions of macro-economic structural domination (Gourevitch, 2015, 'Conclusion').

Compelling though the history is, I would argue that there is another way to interpret the upshot of the labour republican tradition.¹⁴ Combining the universality of the labour republican ideal of non-domination with the point about fair contracts requiring fair background conditions, the property-owning democrat attends to what Rawls calls the 'background conditions' to micro-level contractual agreements (Rawls, 2001; Thomas, 2020b). The maintenance of fairness requires a balancing of the bargaining power of the contracting parties, and that is the function of the right to universal access to capital characteristic of a property-owning democracy (Rawls, 2001; reference deleted).¹⁵

In addition, the property-owning democrat notes the importance of Nien-hê Hsieh's argument that a right to contest is not a right to control (Hsieh, 2005, 2008a, 2008b, 2009, 2012). The worst excesses of hierarchy can be avoided by a workplace that takes seriously both workers' rights to contest managers' decisions and gives them a 'fair valued' right of exit by giving them a right to external capital in the way that the Knights of Labour recognised as necessary.¹⁶ The addition of SELR merely deepens this fair value.

In more detail: Hsieh's right to contest requires a contestatory forum of some kind. How the corporate governance of the firm could incorporate such a forum is a matter for intra-firm institutional design (Hsieh, 2005, pp. 137–139). The liberal-republican has no objection to seeing that requirement mandated legally. But the aim is not to construct, within the governance of the firm, the joint sharing of managerial authority as in a co-determination arrangement.

Contestation is not control and the goal is the strengthening of worker 'voice' by constructing an intra-institutional forum where managerial proposals are subject to the discipline of publicity and contestation. This structure forces employers to track employees' interests. It is essential to combine this institutional proposal with the greatly strengthened right of exit in a property-owning democracy that also guarantees full employment.¹⁷ It is the employee

¹⁴ For Gourevitch, while the administrative state is a bulwark against arbitrary authority and many of its acts are the product of labour pressure through the political system, it is a second best compared to a system of workplace co-operatives where workers equally share control over the work process. Workers are 'their own employers' or at least have an equal share of control over their workplace which allows for the speedy resolution of the conflicts that emerge in the discretionary space that orthodox employers currently dominate. (Or, if not an equal share, then 'at least exercise a greater degree of control than they do under a labor contract' (Gourevitch, 2015, p. 180).) Managers, if they exercise their function within such an economic form, do so as a form of delegated authority.

¹⁵ The Knights, for obvious reasons, thought this equalised bargaining power was primarily to be achieved through the trade union movement (Gourevitch, 2015, p. 107).

¹⁶ The Knights also anticipated the argument that the kind of pre-distributive strategy represented by a property-owning democracy guarantees the fair value of political liberty because they were alive to what Bill Edmundson has called the 'fact of domination'. The extreme wealth inequality of America's Gilded Age translated directly into oligarchic pressure that corrupted the democratic process (Edmundson, 2017; Gourevitch, 2015, p. 104).

¹⁷ Both Gourevitch and González-Ricoy, whose work I will discuss below, are troubled by the discretionary managerial authority that must inevitably arise from the incompleteness of the employment contract (González-Ricoy, 2014, pp. 242–243, 246; see also Hsieh, 2008a, p. 92). The importance of exit rights is that they are an all-purpose remedy for 'breaches' in the understanding between employer and employee that fall outside the scope of the employment contract. It is also an all-purpose remedy for the skilled

with the most realistic threat of exit who thereby has the strongest ‘voice’ in any such forum: the kind of voice to which an employer must pay attention.

This whole proposal is contextualised by the general consequences of moving to a realistically utopian property-owning democracy: equalising the bargaining power of labour and capital; eliminating special incentives; eliminating drudge labour and meaningless work with every employer forced to compete to employ an increasingly educated workforce that has benefitted from the background condition of fair equality of opportunity (Smith, 1998; Thomas, 2017).¹⁸ Most important of all, backstopping all these proposals, the state exercises its monopoly power as a supplier of labour (Thomas, 2020a).

4. Ellerman and the natural rights tradition

There is a parallel development of the labour republican argument in David Ellerman’s work (Ellerman, 1992). The analogy with slavery features in his argument, but merely rhetorically. Like others in the labour republican tradition, Ellerman argues that the critique of slavery is the thin end of the wedge: of course, it is very wrong for a person to be owned. But, in the morally relevant respect it is also bad (although – perhaps he does not stress this enough – not *as* bad) for people to be *rented*. It is irrelevant, in the moral critique of slavery, whether an enslaved person is owned by a private person or public authority. Similarly, for Ellerman, it is irrelevant whether a ‘free’ labourer is rented from a private person or public authority. People ought not to be owned, but they ought not to be rented either:

The real question about slavery is not the public or private ownership of slaves but whether the master-slave relationship should be allowed (voluntarily or *involuntarily*) or should people always be self-owning (which implies that the right of self-determination should be inalienable even with consent). (Ellerman, 1992, p. 2)

Put in Gourevitch’s historical frame, we can view Ellerman as formulating an answer to the late nineteenth-century ‘laissez-faire’ republican. The latter believes that self-ownership implies that one can rent out one’s property (labour power) through freely contracting to do so for a fee; Ellerman’s claim

and unskilled worker alike (notwithstanding the fact that in a property-owning democracy no premium attaches to skills in the form of special incentives (Smith, 1998)).

¹⁸ The elimination of meaningless work in a property-owning democracy is important as it removes the objection that closely supervised meaningless labour harms the well-being of workers, one of the grounds given for substantive workplace democracy (Breen, 2015, p. 473; Schwarz, 1982, p. 637). Breen appeals to Schwarz’s argument that closely supervised work harms a worker’s autonomy as one of the grounds for his autonomy based case for robust workplace democracy (Breen, 2015, p. 480). But the point is moot: work of this kind does not exist under a property-owning democracy and its realistically utopian transformation of work.

that this is to alienate a right that is, in fact, inalienable.¹⁹ Even if conceptualising one's labour power as personal property is correct (which it is not) that still does not justify renting it out. Property is alienable; your personhood is not.²⁰

What is it about human agency that, in Ellerman's view, justifies his claim that self-ownership is incompatible with the rental of humans? Why cannot I freely consent to rent out my labour on a free labour market assuming that the background conditions for fair bargains are met (as the laissez-faire republican failed to insist that they should be?).²¹ I do, after all, get something in return – something of value to me – the fee for the rental. What justifies Ellerman in aligning one's contract to alienate one's labour for a period of time for a fee with one's inability to alienate one's right to be governed – voluntarily to consent to political subjugation by contracting with an autocrat? (Ellerman, 1992, p. 4).²²

The core of that theory is that, given that the locus of responsible agency is the person, that agency cannot be 'rented out' as a special kind of commodity. This is the claim that Ellerman shares with Gourevitch and with the Knights of Labour: a contract to rent out one's employment is to place one's will at the mercy of another's – the very definition of subjection (Gourevitch, 2015, p. 113). If I rent out my property to you, then I place it at your disposal: the analogy breaks down because it is objectionable simply to place one's will at the disposal of another person's will – even a benevolent will. That is why classical political economy errs in treating agency itself as if it were a 'factor of production' on a par with the others. Ellerman's axiom is that agents can employ only themselves, either individually or jointly. I agree with him totally over the importance of that axiom for the republican – or liberal-republican for that matter. But I disagree with him over how its truth is best implemented.

¹⁹ One of his arguments is this: we can buy an apartment or rent it. If we knew the date of our deaths, we could rent it for a specific time period – until we die. It seems, then, that in that unlikely situation the difference between ownership and rental is a distinction without a difference. What is the difference, then, between renting our one's labour for a short term period, renting it out for the term of one's natural life, and slavery? But slave contracts are always and everywhere illegal (Ellerman, 1992, p. 4).

²⁰ In Hegel's classic conceptualisation of personhood as property, one remains inalienably 'a free entity in my body while my possession of it is still immediate'. In so far as the metaphor of property expresses an insight into the self relation, it is incompatible with self-alienation (Hegel, 1821/1952, p. 63).

²¹ Ellerman does tend to treat this republican laissez-faire/classical liberal view as exhausting the resources of liberalism: 'Liberal capitalism presents the most basic social question as being "consent or coercion"' (Ellerman, 1992, p. 6). Yet, as Ellerman points out, consent arguments were used to justify both slavery and self-subjugation, in each case via consent to contracts. This relocates the issue where it should be located: which of our rights are inalienable?

²² 'Collective self-employment in the firm is the economic analogue of political self-government or democracy' (Ellerman, 1992, p. 4). That is why, from his perspective, the conventional capitalist firm does involve a political 'self-subjugation' in the economic sphere: a crossing of categories where one contracts to voluntary subjection to arbitrary authority. The old doctrine of inalienable rights has considerable 'bite' left in it. In fact, it supplies a critique of the contract for renting human beings, a contract which could also be viewed as the limited Hobbesian *pactum subjectionis* for the workplace, namely the employer-employee contract. The theory concludes that the employment contract is invalid 'in the light of natural law' (to use the older language). (Ellerman, 1992, p. 7)

Ellerman is explicit that he is breaking with capitalism, as he defines it, namely a system in which those who supply capital to firms *also* hire its workers. His crucial claim is that what makes a system anti-capitalist is that it permits only *the hiring of capital by labour* – and never vice versa (Ellerman, 1992, p. 2). Labour, as a ‘factor of production’, is the locus of responsible agency.

When people are self-employed in their firms, then the suppliers of capital are not hiring the workers. Labor (in the sense of the all the people, managers and blue-collar workers who work in the firm) is hiring capital. Since Labor would then be the residual claimant (the party receiving the profits left from the revenues after the costs are covered) it would be odd to call that arrangement a variant of ‘capital-ism’. (Ellerman, 1992, p. 2)

So in Ellerman’s scheme there is private property, and a market, but every firm on that market is a worker-owned co-operative (Ellerman, 2015). As it is crucial to his conception that capital holders do not rent labour, but labour rents capital.

5. A critique of mandatory market socialism re-stated

I turn now to how my own position relates to those of Gourevitch and Ellerman in their recovery, and re-statement, of the labour republican tradition. The worker-owned firm exemplifies several values that the liberal-republican acknowledges. However, the liberal-republican view, as I defend it, claims that their existence should depend on a combination of strategic nudging by the state and the voluntary choice of autonomous, informed, individuals provided that the background conditions for those choices are appropriately fair. Those conditions are put in place by (all and only) the elements of a property-owning democracy.

In addition, in the internal governance of all firms a worker should not only see the protection of his or her basic rights, but also a right to contest managerial decisions via an appropriately institutionalised contestatory forum. That latter right, however, falls short of a right to control the firm (Dagger, 2006, p. 162). The latter would be too stringent a requirement: in a republican workplace a worker’s voice is respected because she must always be able to take advantage of a contestatory forum to track her avowable interests (Pettit, 1997; Hsieh, 2005, 2008a, 2008b, 2009, 2012; Taylor, 2017). This right to contest managerial decision is not the right to an equal share of control of it, where the latter is the characteristic claim of the republican theory of democracy (Pettit, 2012).

This is the denial of Nancy Rosenblum’s ‘congruence’ view: that workplaces ought to embody democratic values that are congruent with the democratic values of society as a whole (Rosenblum, 1989, p. 49; Thomas, 2017). On the contrary: provided the right to contest decisions in place, workers can trade away democratic control of their workplace for being the subjects of more

hierarchy, and more pay, or – indeed – more opportunities to shirk. Not everyone wants to work in a workplace where every other employee is jointly and equally your boss.

The point of this argument is to differentiate it from an alternative view, which is that worker-owned co-operatives are of such overriding importance that the state ought to make them legally mandatory. On this rival view, the democratic values of our society in macrocosm ought to be reflected in the microcosm of meso-level institutions such as the firm. The conventional capitalist firm, on this view, allows a worker to trade-off democratic control of the firm for other things, notably income. This trade-off ought to be impermissible. The mandatory market socialist requires legislation to make worker-owned co-operatives either the universal, or dominant, form of socio-economic organisation (however dominance is to be defined).

By contrast, it seems to me perfectly intelligible that a worker might have good reason to want to work in one of the plurality of organisational forms that we associate with capitalism beyond this single institutional form even when we have moved beyond capitalism to an alternative social system that is not, technically, capitalist – as a property-owning democracy is not.²³

Some workers may prefer to take less pay to work in an organisation that reflects their deeply held moral values, or to take more leisure time. That is a trade-off that they are legitimately free to make. By analogy, why cannot some workers prefer to take more pay in return for less control over their workplace, modulo the requirement that they never lose their rights to contest managerial decision? Some workplaces that remunerate their workers very highly also exhibit high degrees of hierarchical authority, such as an elite sports team, or an investment bank.

Have I not given the republican answer? The very idea of hierarchical authority involves placing the worker's will under the domination of another so it must be unacceptable. But we need to proceed carefully here. Worker-owned co-operatives may also involve 'self-binding authority' by the workers as a whole if they appoint delegated management. There is some concern that these managers may have weakened authority if the workers, as a whole, employ them.²⁴ But no particular worker can opt out from this act of collective self-binding: an employee being fined for workplace theft can hardly turn round and fire the manager instead.

²³ It is important to draw a distinction here between the *de jure* and the *de facto*: *de jure*, under various cultures of capitalism there is legal innovation throughout the history of capitalism that has produced a multiplicity of economic organisations. I think that point survives the empirical, *de facto*, observation that historically capitalism lends itself, for intelligible reasons, to monopolistic domination by the large open corporation. See, for example, the arguments of John Kenneth Galbraith (Galbraith, 1967).

²⁴ Alchian and Demsetz (1972) argue from a micro-economic perspective that this will lead to less effective monitoring and supervision on two grounds: the managers essentially work for the workers they are supposed to be monitoring, and they cannot be incentivised via, for example, profit sharing in the form of share options.

The objection is not to hierarchy, then, but to authority: all authority relations in the firm must be collectively self-authorized presumably by majoritarian decision. I think that is absolutely right, but the question is where that collective self-authorization is properly to be located: at the macro, meso or micro levels.

This distinction between hierarchy and authority has been disputed. Both González-Ricoy and Keith Breen have denied that they can be separated (Breen, 2015; González-Ricoy, 2014). Both argue that republican contestation is a necessary but insufficient means of avoiding workplace domination. While, for reasons of scope, I cannot offer a full consideration of their arguments here, I would note that González-Ricoy relies heavily, in his argument, on the fact that involuntary unemployment imposes a significant cost on those employees whose interests are protected by a right of exit (within a broader contestatory republicanism) (González-Ricoy, 2014, p. 240).²⁵ In my view, that argument fails because it does not take into account the option of the state offering employment as last resort.²⁶ He also points to the 'sunk costs' argument: that a worker is invested in a job in a way that imposes costs on him or her if they leave. That it true, but he does not note that a matching cost is imposed on the employer who has every reason to avoid the costs of search, training, and lost social capital in the firm when she hires a new employee.²⁷

Breen, on the other hand, simply breaks with the neutrality about reasonable comprehensive conceptions of the good life shared by the political liberal and the liberal-republican alike. His is an autonomy-centred, 'Athenian' conception of republicanism with political participation at the centre of his conception of the good life so, unsurprisingly, as requiring extension into the workplace (Breen, 2015, p. 471).²⁸ His strategy is to argue that since Pettit must

²⁵ In addition to his basic argument that involuntary employment interferes with a robust right to exit he adds that 'job alternatives ... may be as despotic, unregulated and arbitrary as their current job' (González-Ricoy, 2014, p. 241). That is, clearly, also ruled out by SELR.

²⁶ Breen repeats and endorses González-Ricoy's 'no costless exit' argument, so the same objection applies to his view (Breen, 2015, p. 477). In fact, this seems to be the basis on which Breen asserts that Hsieh's conception of workplace republicanism must be abandoned as employers can violate workers' autonomy without 'binding sanctions' (Breen, 2015, p. 482). However, given the fair valued right of exit, the employer does face a sanction – loss of the employee and search and training costs.

²⁷ It is important for my understanding of SELR that the state takes employees as they are in the way emphasised by Hyman Minsky (2013). This is opposed to what Minsky sardonically views as the orthodox remedy of training people for jobs that may never exist (as in 'active labour market policies' where the state tries to guess what the labour market needs of private capitalists will be in the future). However, it is undoubtedly true that one advantage of SELR is that re-training costs, job search costs and re-location costs can be state subsidised – further reducing the costs of exit and guaranteeing its fair value.

²⁸ Breen's argument is not from the macro- to the micro-, but the reverse: given that workplaces need more than republican contestation but demand 'positive freedom understood as self-determination' then 'not only do republican defenses of worker voice stand in need of revision, but also republican theory itself' (Breen, 2015, p. 241). I do not think it is true that Roman republicanism, as Breen asserts, 'implicitly relies upon the ideal of autonomy' in his sense – he follows Richard Dagger in this regard (Dagger, 2006). Dagger is right that the republican ought to be concerned with 'conditions' on freedom, but that seems to be an issue for fair equality of opportunity – that principle is not grounded on the value of autonomy in Breen's substantive sense. Rawls has to be correct when he endorses both liberal neutrality of aim and the fair equality of opportunity principle.

be committed to an autonomy based republicanism, then this critique ‘hold[s] for Hsieh’s workplace republicanism as well’ (Breen, 2015, p. 479). But I think the antecedent of that conditional is false. Where Breen states that Pettit concedes that his view relies on a concept of autonomy (citing Pettit, 1997, p. 81). Pettit later clarified that his topic was *orthonomy* (Breen, 2015, p. 478; Pettit, 2010; Pettit & Smith, 1990, 1993, 1996). There is, then, an equivocation in Breen’s argument: the demands of orthonomy are compatible with neutralist liberalism while the demands of autonomy are not.

It is difficult to avoid the trading of moral intuitions here. Bill Edmundson, as part of his defence of a Rawlsian liberal democratic socialism, has argued that:

It is not credible that Rawls intended a strict demand for worker management anywhere other than the commanding heights... Think of the simple case: a farmer needs the help of two laborers. It is preposterous to think that the justice of the basic structure of society demands that the laborers be able to out-vote the farmer who has hired them for the season. Rawls repeatedly states that the principles of justice ‘may not work for the rules and practices of private associations or ... less comprehensive groups ... voluntary arrangements [or] contractual agreements’.²⁹ (Edmundson, 2017, p. 31)

But on Breen’s view this does indeed follow: it would be a violation of the seasonal workers’ autonomy if a farmer who has hired them to help pick the crop requires them to do so. They have an autonomy based right to inform the farmer that they would rather build a barn instead and will promptly put that matter to a vote.³⁰ That seems to me, as it does to Edmundson, to be a *reductio ad absurdum* of rights to collective self-determination in the workplace grounded on a positive right to self-rule based on individual autonomy.³¹ That is the basis of my objection to the claim that collective self-authorisation of authority has to happen intra-institutionally, firm by firm.³²

This is the key differentiating feature of my approach: joint collective self-authorisation is part of the macro-arrangement of the basic structure of society where we ought to take on the commitment to make the state the employer of last resort. That is what is required consistently to break with capitalism and to make it clear that a property-owning democracy is not the vindication of rentier capitalism. That is how our democratic values ought to shape the labour market as a whole and to fair value the exit rights incorporated into it.

²⁹ The sentences quoted in this passage are from Rawls (1971/1999, p. 7).

³⁰ In González-Ricoy’s version of the claim these two employees must each have a ‘binding say’ over this decision (González-Ricoy, 2014, p. 247).

³¹ I should note that, while sharing my starting point in a commitment to a property-owning democracy, Samuel Freeman disagrees. See Freeman (2013, 2020).

³² In the interests of completeness, it should be noted that there are wholly general laws governing workplace relations where the republican does insist that, like all legislation, citizens have their appropriate share of democratic control over their formulation (Pettit, 2012). This covers issues such as the length of the working day, workplace health and safety, and so on. Workers have a say, here, because they are a sub-group of the citizenry as a whole. This truistic connection between republicanism, democratic governance, and workplaces ought to be uncontroversial.

This is the main point on which I part company from Robert Taylor (Taylor, 2017). Taylor, as I have described, thinks that a labour market can be just if it is embedded in a Nordic welfare state capitalism. For Taylor, the more important contrast is between his policy recommendations and those of labour republicans like Gourevitch and Ellerman: he has a republican suspicion of the domination of citizens by the public bodies of an administrative state. That is why, in his argument, his default preference is for indirect exit strategies (adequately resourced) which are, for him, always superior to ‘labor market regulations, works councils and unions’ (Taylor, 2017, p. 7).

In contrast with Gourevitch, for example, Taylor argues that such strategies give rise to new opportunities for the domination of some by others because they ‘try to empower voice directly rather than indirectly’ (Taylor, 2017, p. 7). They do so by giving ‘discretionary powers to public or private agents’ who must be empowered to determine whether a person’s voice is being silenced and introducing redress:

[T]hey can and inevitably will be misused in the pursuit of private ends, be they financial (e.g. bribery), tribal (e.g. bureaucratic class interests), or ideological. (Taylor, 2017, p. 7)

By contrast it is ‘safest ... from a republican point of view’ to strengthen competition and exit (Taylor, 2017, p. 7). However, to the extent that any form of welfare state capitalism is just – and I would contest that any version is – it is definitive of the view that it stops short of a jobs guarantee. Its tax and transfer policies are grounded on redress precisely because structural unemployment is, in this view, an inevitable result of a private labour market operating only in the context of a public, supplementary, active labour market policy. This view does not, I think, escape Nicholas Vrousalis’s objection that you do not fair value an exit right if it may practically be merely exit to involuntary unemployment (Vrousalis, 2018).

This is why, I think, the commitment to the state as employer of last resort is transformatory of this debate. Vrousalis’ objection plays a crucial role in the parallel argument of Samuel Arnold who argues that:

[L]abor market competition does indeed constrain capitalists, forcing them to offer terms that are no worse than those offered by any of their competitors. Individual capitalists cannot impose demands outside the group norm. And so we should expect to see certain egregious and/or idiosyncratic abuses ... dissipate in the face of robust labor market competition. This is no small thing, and it underscores the (limited) moral importance of competition for labor. But, secondly and crucially, while individual capitalists cannot impose demands outside the group norm, they can impose demands inside that norm. When capitalists speak in one voice, workers must obey. (Arnold, 2017, p. 15)

The most fundamental response I can give here is that a property-owning democracy has already dissipated a distinct capitalist class. However, a further response that I can give – which Taylor cannot – is that the state as the

employer of last resort is the ultimate guarantor of fair valued exit rights so that it is no longer true that ‘when capitalists speak in one voice, workers must obey’.

6. Hockett on open market operations in labour

So much for non-domination; what about commodification? What parts of Gourevitch’s and Ellerman’s republican critique of the labour market do I accept, what parts do I reject, and what justifies that choice?

Theirs is not the Rosenblum argument that democratic values in society as a whole must be reflected within economic organisations. Their arguments stem is that a person’s productive activity cannot be commodified and detached from his or her responsible agency. How can I be any kind of republican and deny that? My hope is that the very point to which I appealed in the theory of justice – the role of the state as the employer of last resort – not only explains why I do not rely solely on exit rights without giving them their fair value. Following Robert Hockett, the same idea allows one to explain how I can acknowledge Gourevitch’s and Ellerman’s premises but not their conclusion. It is this part of the overall argument that I will now expand on in more detail.

In *The Sleeping Sovereign*, Richard Tuck makes the historical case that the fount of the modern republican tradition, Rousseau, has been fundamentally misunderstood when it comes to the issue of democracy (Tuck, 2016). Standardly understood as a critic of representative democracy and a defender of continuous deliberative participation, the opposite is the case. That is because of his fundamental distinction, in Tuck’s interpretation, between popular acts of constitutional founding and day to day ‘governance’. In my view we ought to apply a parallel argument to the republican account of free labour. What matters is the exercise of popular sovereignty through the constitution of free labour as such via the state’s monopoly powers. With that commitment in place, we can place less emphasis on the day to day ‘governance’ of economic organisations – modulo the safeguards for employee contestation that I have outlined.

This analogy is at some risk of being misunderstood so let me explain how I intend to draw on it here.³³ My view is that what matters, for workplace democracy, is the prior de-commodification of labour expressed not only by the state exercising its monopoly powers here (as it does elsewhere) but also by other constitutional expressions of popular sovereignty. That includes, centrally, what I call an expanded conception of the economic basic structure that makes the domination of one agent by another structurally impossible

³³ The obvious *disanalogy* is that popular sovereignty and governance are two theoretical faces of democracy; I am arguing that we ought to focus on de-commodification and, in the process, tolerate pockets of ‘democratic deficit’ at an institutional level given that all the other conditions for liberal-republican democratic citizenship are met.

(Thomas, 2017). This whole approach is motivated by the fair value of the political liberties. With this macro-level guaranteed to each (micro-level) citizen we do not have to impose any further restrictions on the meso-level of economic organisations. Specifically, this is a rejection of Rosenblum's (and others) macro- to meso-argument. It is important, from a republican perspective, that citizens' political liberty is fair value guaranteed and that each has an appropriate share in the democratic control of their society (Pettit, 2012). That is not at issue here. The issue is whether or not the virtues required to sustain democratic personality must be mandatorily expressed in every workplace and that is what I deny.

I think this distinction between constitutional founding as an act of collective self-authorisation and democratic governance is the best way to interpret an insightful account of the labour market in a recent paper by Robert Hockett (Hockett, 2019). Its core argument allows one to resist Gourevitch's and Ellerman's overall argument strategy by presenting an alternative to it grounded on the same intuitions.

They appeal to very general constraints on the very idea of non-dominated labour to determine a conclusion about the meso-level structure of our economies. (It requires all and only workplace co-operatives.) We can acknowledge the force of Gourevitch and Ellerman's labour republican argument but implement it in a *macro-level* commitment. It is the very same macro-economic commitment we were committed to anyway, on two grounds: the theory of justice, and the Keynes-Kalecki explanation for why we must undermine the class-based power of the rentier-investor class. By making the state the employer of last resort we implement a de-commodification strategy for labour through our collective agent, the state.

As I read Hockett's work, it emerges from the Keynes-Kalecki tradition and isolates some core monopoly powers of the state: it supplies money as an indefinite public utility; it determines key strategic prices; in the past it was not reticent in directing the public flow of investment and determining the terms of trade Hockett, *forthcoming*; Hockett, 2020; Hockett & Omarova, 2015, 2018.

Hockett argues that we simply need to be consistent: the same monopoly power ought to be exercised in fixing the rental cost of labour as well as the rental cost of money. If we allow an 'arm's length' agency, such as the central bank, to determine the interest rate because that is a key strategic price, then the cost of labour could hardly be less strategically important. The state ought also to be the ultimate monopolist of labour. It does so by putting a floor under the price of labour just as it puts a floor under the price of assets and, indeed, corporate profit as a whole (Minsky, 1988/2008).

Our ideological commitments lead us to conceptualise the public option as a residual, or fall back, employment option. That is to confuse the order of function with the order of justification. It is true that the state employs as a last resort just as it bails out banks that are 'too big to fail' as a last resort. But that does not

mean that the public option is not, in the order of justification, the ground of the private labour market. Hockett begins from some Ellerman-style intuitions:

A permanent public option in the realm of labor-hiring will effectively constitute a fallback collective self-employment option, the self-pay and workplace-standard conditions of which will become benchmarks economy-wide and render all labor effectively free labor, in the nineteenth-century 'labor republican' sense of the phrase. (Hockett, 2019, p. 113)

If strategic prices ought to be constrained to operate within a narrow band, so ought the price of labour (Hockett, 2019, p. 116). States control key commodity prices by maintaining buffer stocks for them (Hockett, 2019, p. 117). The state acting as lender of last resort is not only acting in a way closely analogous to how central banks behave with regard to the rental price of money. Full employment is even written into the Federal Reserve mandate (even if the jobs guarantee is not):

In the case of labor, the buffer or margin account in question would be a labor pool, into or out of which we, through a public authority, would hire or release labor with reference to a benchmark wage or salary rate ... these would be open labor market operations.³⁴ (Hockett, 2019, p. 119)

This is a direct counterpart to the way in which the Federal Reserve controls the rental rate for money (the interest rate) via its open market operations.

If that is the proposal, then it would seem to be self-undermining as it buys into the very language of commodification that treats labour like money or barrels of oil. But Hockett's point is that it is the private labour market that commodifies labour, which is only de-commodified if we understand the public option is prior in the order of justification. It should not be a matter of happenstance whether a person able and willing to work should be able to do so. One's rental rate should not be mediated via the interactions of strangers via an impersonal market mechanism that produces an outcome from their essentially conflicting interests. Hockett shares Ellerman's intuition that we can avoid the idiom of 'rental' if we collectively employ each other, but that is a public function of the state.

If we implement this commitment, then it is the private market for labour that is transformed by the public option that underpins it:

The whole point of the OLMO, ELR, JG regime is not only to assure remunerative work for all who might seek it, but also to use this *public* option in the realm of work to change *private* options in the realm of work.³⁵ (Hockett, 2019, p. 121)

³⁴ A useful heuristic, for those sceptical about the state as employer as last resort, is to ask oneself what a country's military does in peacetime. They are state employees. Presumably there is a limit to how much time they can spend training to do their job of combat. It is no accident that the peacetime military have other important socio-economic functions.

³⁵ Where 'OLMO' refers to 'open labour market operations'; 'ELR' refers to 'employer of last resort' and 'JG' to a jobs guarantee. 'Who might seek it' is an important proviso: the state as employer of last resort is not a return for the Victorian workhouse. Any citizen is free not to work and some are unable to. For the voluntarily unemployed, there is a decent civic minimum although it will be lower than the minimum

We can put this in the familiar ethical terms of an agent-centred prerogative familiar from normative ethics: our moral and ethical default is self-employment (Scheffler, 1982). However, an agent can exercise a prerogative, grounded in the basic liberties of free association and the right to choose one's occupation, to select a workplace where one is not directly self-employed *in that workplace*. It is the whole sphere of work that is underwritten by the commitment in the way Tuck indicates. There is an asymmetric dependence here: a private labour market is permissible only if there is a public labour market, prior to it in the order of justification. You might phrase it this way: the public labour market is required while a private labour market is a locally permitted development from it: operating under a local license, as it were.

This liberal-republican strategy, then, is distinctive from the other strategies I have described. It accepts Gourevitch's and Ellerman's normative premises, but not their conclusion that all workplaces must be co-operative and afford workers control over the work process. It supplements Taylor's strategy of giving exit rights a fair value in an indirect way and could, in principle, be compatible with his anti-statism about the regulatory administrative state.³⁶ But Taylor is not a principled anti-statist: he could hardly be given his enthusiasm for a just Nordic welfare state. He ought, then, to be happy with this different kind of statism represented by the state's role as employer of last resort.

7. An argument from macro-economic stability

I have defended associational pluralism in the economic sphere. Democracy is certainly a key value, but workplaces are not privileged sites for the exercise of democratic virtues. Specific workplaces can be in democratic deficit if that deficit is paid off elsewhere in civic life. What matters, for the liberal-republican, are the two exercises of state sovereign power in instituting a property-owning democracy and in de-commodifying labour. But there is another argument that I think is pertinent to this issue: a sector of worker-owned firms ought not to be comprehensive – ruling out every other economic, meso-level, institution in an economy. That is a negative thesis. But is there a positive case to be made in their favour *after* one has abandoned the claim that they are a privileged site for the exercise of democratic virtues?

My argument here is rooted in a neo-Keynesian tradition which emphasises that the core defect of capitalism is structural unemployment. (In some of our own societies, we would now extend that to the poverty of those in poorly paid

wage rated paid by the state. It differs from an unconditional basic income as the latter is designed to cover more than one's basic needs. Those unable to work receive a far higher level of benefit than either the minimum wage or the civic minimum (reference deleted).

³⁶ As I have noted, Gourevitch shares this scepticism to a degree; see Note 14 above. As he observes, if you have faith in workers to organise production, then that depends on a prior faith that they are competent to self-organise politically, and are not a 'dependent class' waiting for the paternalistic supervision of the administrative state (Gourevitch, 2015, p. 181).

employment in a society without joblessness.³⁷) Keynesians also think that the predicament of the worst-off is exacerbated by cyclical macro-economic instability, yet also that the latter is unavoidable in an economy powered solely by levels of private investment in turn motivated by the ‘animal spirits’ of the rentier-investment class (Galbraith, 1998/2000; Minsky, 1988/2008). State action provides the necessary counterweight: the capacity for a state to go into deficit. But do these arguments make any kind of case for a shift in the associational bias of our economies?

I think that they do: in fact, I think they reinforce the case for state incentivisation of a sector of worker-owned firms. This involves setting out the reasons for this proposal and addressing the concern that, owing to their endemic efficiency costs, these advantages would be undercut by making our economies less efficient, less innovative, and less able to grow.

Basically, the view is that an extensive sector of such firms can act as another Keynesian ‘damper’ mechanism.³⁸ As I have noted, *because* worker-owned firms tend to be internally democratic they also tend towards wage compression. They also tend not to favour technological innovation that leads to redundancies amongst their employees and they are less responsive to changes in demand. But whereas I earlier focused on the downsides of this fact, I would now like to draw attention to the compensatory advantages (reference deleted).

The starting point of the efficiency critique of worker-managed firms is the work of Ward and Domar (Domar, 1966; Heberton, 2020; Ward, 1958). Such firms aim not to maximise profits, but rather to maximise average profit per worker and that is a crucial divergence between their performance and that of the open corporation. If the price of the product (widgets) increases, then the conventional firm will always seek a marginal profit from producing one extra widget; the worker-managed firm has to factor in the sharing of this additional profit per worker. Even one extra widget has to involve a larger number of workers, each of whom is entitled to a profit share. This critique remains wholly theoretical: the empirical evidence (surveyed in Heberton, 2020) is that actual

³⁷ The recent history of the German and UK economies is a case in point. Both have eliminated joblessness. However, many of the jobs thereby created are precarious (including so called ‘zero hours contracts’) and poorly paid, with a significant minority of workers receiving state benefits – or dependent on private charity such as food banks – while in employment, because they are so poorly paid. (The low wage sector in both countries is in the range 21–23% of the workforce.) Poverty in spite of employment has, in some jurisdictions, replaced poverty caused by structural unemployment.

³⁸ Is this not redundant in the light of the state’s role as employer of last resort defended in the previous section. No, because it matters importantly how the state discharges this role. As economist Bill Mitchell puts it, in a book co-authored with Thomas Fazi: [T]he JG [job guarantee] wage rate is set at the minimum wage level ... The government thus purchases labour ‘off the bottom’ of the non-governmental wage distribution ... By maintain a buffer stock of employment, the JG operates according to what economists term a ‘fixed price/floating quantity’ rule ... Given that the JG hires at a fixed price in exchange for hours of work and *does not compete with private sector wages*, employment redistributions between the private sector and the buffer stock can always be achieved to stabilise any wage inflation in the non-JG sector. (Fazi & Mitchell, 2017, p. 231, emphasis added)

worker-owned co-operatives do not behave this way faced with an upsurge in consumer demand.

More pertinent for my purposes is the opposite case: how worker-owned co-operatives react to a demand deficit. As Schweickart notes, worker-owned co-operatives tend to keep their workers employed in a downturn (Hebenton, 2020; Schweickart, 1993, p. 92). They have an internal ethos of teamwork that is incompatible with members voting to fire some of their colleagues to boost their own average profits, even if the articles of association so much as permit this (Dow, 2003, p. 147; Hebenton, 2020). In his review of this literature, Angus Hebenton concludes:

It also seems to be true that the level of output and employment in worker-managed firms is less sensitive to price changes. Dow [2003, pp. 198–9] reports that studies of cooperatives consistently find that they respond to reductions in demand by reducing pay and working hours rather than by reducing employment. However, this is arguably helpful for macroeconomic stability as it serves to dampen demand-led fluctuations in employment and so moderates the economic cycle.³⁹ (Malleson, 2014, p. 74)

There are two complementary points here: because hiring new workers dilutes profits, worker-owned co-operatives expand slowly. So the first point is that a prior commitment to the state as employer of last resort – as Schweickart also notes – alleviates this macro-tendency for an economy of worker-owned firms to generate structural unemployment because they are slow to pick up the slack (Hebenton, 2020; Schweickart, 2002/2011, pp. 110–111). Conversely, they are also slow to lay workers off, so they form a useful employment buffer in the face of temporary demand deficiency and work to stabilise an economy overall if full employment is our goal.⁴⁰

Is this a price worth paying if we incur an efficiency loss for the whole economy? I am not ruling out the answer ‘yes’ to that question, but the pre-supposition behind it seems misplaced. The empirical evidence seems to be that worker-owned firms are no less technically efficient than more orthodox firms (Hebenton, 2020). Other factors obscure their efficiency, such as the path-dependent way in which they have emerged in a competitive environment dominated by the corporation, either private or public, and the way in which state policy has tended to favour externally capitalised firms.

I concede that this might create a role for more than state ‘nudging’ as part of an overall industrial policy (Mazzucato, 2018). If we think this stabilising function is important, but the sector is hindered by historical pathways that have

³⁹ Hebenton also notes, correctly, that Schweickart further argues that ‘job creation should be one of the criteria on which finance should be made available to worker-managed firms’, citing Schweickart (2002/2011, pp. 110–111). However, that is dependent on Schweickart’s leasing model for the provision of capital to worker co-operatives, so does not represent a fully general solution.

⁴⁰ Again, full employment in the private labour market and the state’s role as employer of last resort are complementary, and not competitive, strategies in maintaining full employment.

closed off access to capital in a competitive environment dominated by conventional firms, then we may want to do more than nudge them into existence. If a worker-owned co-operative needs to rapidly to be scaled up in size to compete, I see no reason in principle why a state financed public/private initiative ought not to be one way to realise this aim. This proposal, however, like any broader discussion of state ownership of key industries, is a matter for democratic deliberation at the legislative stage. Crucially, unlike a universal right for fair access to capital this is not a constitutional proposal. Industrial policy is a legislative matter and that is where this issue ought to be determined by each society in the light of its own historically specific circumstances.

8. Conclusion

The aim of this paper has been to free up our options.⁴¹ If the labour republican tradition has compelling arguments for more workplace democracy, then the question is how we set about the aim of increasing the number of such firms in our own economies. My main task here has been negative: further to defend my earlier claim that such firms ought not to be legally mandatory (Thomas, 2017).

This mandatory status would be forced on us if they are a privileged locus for democratic values, or the only way in which we can ensure labour is non-dominated. If those two arguments are correct, there would seem little point *not* to use legislation to mandate that these ought to be the only economic forms in our economy. I have argued for a different conclusion: the default ought to be that the state can nudge, through incentives, the emergence of an extensive sector of worker-owned co-operatives, but need not do more than that. A default is compatible with an industrial policy making a specific case for a public–private capitalisation of a worker-owned co-operative if we collectively, democratically, decide that this is a strategically important goal.⁴²

⁴¹ We can combine some of the options describe in this paper: we are pre-disposed to be dismissive of work under the public option as second grade work. However, as I have noted, sometimes people are motivated to take less pay in return for work that is consonant with their values or in other ways meaningful. Not only are the workers employed by the state option a common stock, so is their output. Perhaps we should set our sights higher than imagining ‘shovel ready’ unskilled public work on infrastructure and think instead of skilled work, such as computer programming, that would enhance our digital commons and in other ways add to our free public stock of capital. Would a programmer rather do this socially valuable work at the minimum wage or be unemployed? That is for individuals to decide, but it is not clear to me that everyone would choose the latter.

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