

**Restarting History:  
Why the global labour movement  
must challenge the ‘corporate  
theory of society’, and how it  
might go about doing it.**

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# The problem of industrial control

- ‘the kernel of the problem of industrial control... is... how to prevent industry from unduly molding our opinions, how to prevent our ideals, our scales of values, from being too much affected by the standards of the market-place, how, in short, to protect life itself from being too completely dominated by the process of getting a living’ (Slichter 1931)
- Another way of asking the same question: when is it OK for the employees of corporations to do what those corporations want them to do?

# The social legitimacy of corporate action

- 3 different answers to Slichter's question proposed in the 20<sup>th</sup> century, which represent 3 different conceptions of whether corporate action can be socially legitimate and under what conditions:
  - There is no answer. It is never OK for employees to do what corporations want. What is needed is an entirely different system that simply banishes the standards of the market place entirely
  - The answer is a system of collective industrial relations based on bargaining between unions and employers. It is OK for employees to do what corporations want if what is demanded remains within the terms of a freely negotiated collective contract
  - There is no need to find an answer because 'the standards of the market place' and 'our scale of values' are the same. It is always OK for employees to do what corporations want because action in response to the market is always socially legitimate

# The social compromise

- values & interests of workers and employers *necessarily* in conflict
- the two sets of values & interests are equally legitimate
- the pursuit of the two sets of values & interests is of equal social importance
- the economic force of the market is a manifestation of the interests of employers
- the political force of the labour movement is a manifestation of the interests of workers
- public interest lies in finding an appropriate balance or compromise between these forces
- no higher common interest, therefore bargaining is the only possible means to determine the appropriate balance
- enterprise action and employer authority legitimate to the extent that instructions are coherent with the collective contracts that are the outcome of bargaining

# The corporate theory of society

- values & interests of workers and employers are in principle identical
- public interest lies in maximizing economic competitiveness by optimizing responses to market forces
- the economic force of the market is meaningless; it represents nothing and no-one and simply has to be dealt with rationally
- determination of optimal responses is a *technical* question; if used to influence corporate decision-making, political force of labour movement is socially damaging as it limits freedom of managers to choose the most effective plans and strategies
- enterprise action and employer authority legitimate to the extent that instructions represent technically appropriate responses to the market environment

# Contesting the CTS

- Two most basic theoretical claims are:
  - market is objective and autonomous (value-free and beyond conscious control)
  - management decision-making is technical, not political
- These closely-related claims are highly contestable

# Can management decision-making *really* be technical?

- Claims about the functional characteristics of social and economic structures have a different status to claims about the functional characteristics of the natural world; social and economic structures are 'made' of regulations and conventions that *could be otherwise*
- to say that social or economic structures *are* a certain way, and that such-and-such a course of action is therefore rational, is to have excluded the possibility of changing those structures from one's action planning
- Lazonick: it is perfectly possible to 'strategically change technological and market conditions'; they do not have to be accepted as given.

# Can management decision-making *really* be technical?

- Even if we accept low managerial ambition (we can't change the structures we work with, we can only react to them), the grounding of managerial claims to objective knowledge about causal relationships in markets and organizations is highly dubious:
  - Definition of successful outcomes is value-laden eg shareholder value
  - Lounsbury & Ventresca: 'as organization theory emerged as a management subfield, conceptualizations of both social structure and organizations became increasingly instrumental, driven by functional imperatives and animated by the prominence of narrow exchange approaches to behaviour'



# Is the market economy *really* norm-free?

- Economic action inevitably involves value choices; normative factors are *not* incidental or marginal to the functioning of the economy
- Kaufman: 'real people judge economic transactions by not only price but also fairness'
- Altman: employee participation, cooperative employment relationships, minimally hierarchical management and employment security lead to higher productivity; but because achieving this 'high-yield work culture' has opportunity costs, the gain in productivity may be offset such that average cost of production is the same as in a traditional low-yield, low-wage work culture. Economic factors alone do not permit a choice to be made between the two. In the end it is a decision based on values.

# Four conclusions about economic and organizational action

- social and economic structures are mutable; their functional characteristics need not be taken as given.
- economic and organizational action involves political and ethical *choices*. Decisions about action cannot be derived from the demands of the market in some value-free technical sense
- there is significant evidence that accepting that market action involves making political and ethical choices and that making the *right* choices in this respect leads to better outcomes for both enterprises and wider society
- the pretence that no genuine normative choice is available to enterprises is what provides social legitimation for the exclusion of workers from business decision-making.

# What does any of this mean for the labour movement?

- goal of the labour movement must be to ensure that workers are able to participate on an equal footing with employers in the making of the political and ethical choices that market action demands
- since *every* choice involves value-judgments, no area of decision-making is off-limits to worker participation
- participation should *not* be on the basis of extended collective bargaining
- participation *should* be on the basis of some positive form of workplace democracy

# Why not collective bargaining?

- it is simply untrue that the values and interests of employers and workers are *necessarily* conflicting
- the outcomes of CB are a reflection of the existing balance of power and the skill of the negotiators acting for each side – they are unrelated to the absolute social or normative strength of the claims of either side
- line between areas of joint decision and areas of unilateral prerogative is both arbitrary and very difficult to avoid
- Fox: “power and social conditioning cause the employee interests to accept management’s shaping of the main structure long before they reach the negotiating table”
- regulation arising from CB inspires minimal compliance rather than commitment and enthusiasm, and demands the devotion of significant resources to monitoring and control systems

# Is workplace democracy a danger for workers?

- Argument against worker participation in decision-making is that accepting the logic of the market, of production for profit, of competitiveness leaves workers unable to *resist* market forces
- But this assumes that management decision-making can't proceed on an entirely different basis; it ignores the possibility of *changing the rules*
- Aglietta: 'market economy and capitalism are linked but not identical'

# **The conditions for a socially positive market**

- Goals of the organization are such that the pursuit of profit is a means rather than an end
- Responses to market imperatives should not be blind to the characteristics of the market in question: focus on the substantive fairness of the exchange
- The existence of workplace democracy itself

# Against hierarchy

- Hierarchy closes down discussion; this is what it is for
- In the context of economic and social structures, hierarchy permits discussion to be closed down *before* those structures themselves can be put into question
- Existing interpretations and agendas (management's 'shaping of the main structure') are thereby frozen
- Coordinating and planning function within organizations must (a) be accountable to workers and (b) be detached from worker discipline and reward