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# Review

## ***Private Government: How Employers Rule Our Lives (and Why We Don't Talk about It)***

Elizabeth Anderson. Princeton, NJ: Princeton University Press, 2017. 224pp.

Uğur Aytaç\*

The demise of organized labor, the internationalization of capital movements, and technological changes are often believed to contribute to the decline in the bargaining power of employees vis-à-vis their bosses in the age of globalization. According to many, these radical socio-economic transformations are one of the explanatory factors behind the expanding income and wealth inequalities across societies. The emergence of these vast economic inequalities led social scientists to study the nature of these trends and search for possible institutional solutions. Similarly, the normative-philosophical discussions on the contemporary labor-capital relations have predominantly focused on the inequalities of economic resources such as income and wealth distribution. The apparent dominance of the distributive justice literature among the normative theories of economic institutions might be considered to be an illustration of this phenomenon.

In contrast, Elizabeth Anderson makes a quite interesting and innovative contribution to the normative theory of economic institutions by going beyond the

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problems of distributive justice.<sup>1</sup> She contends that “talking as if workers are free at work” masks another important normative deficiency in our contemporary economic institutions, namely, the dictatorial powers of employers and managers over employees (xx). In other words, her normative investigation of the workplace pertains to the ideal of equality in social relations rather than that of equal (chance of) access to material resources (3). The ideal of equality in social relations is a principle according to which the members of a community are supposed to interact as equals in their relations to one another. Anderson invites the readers to reconceive employment relations as a mode of governance in which bosses exercise authority over their employees. Moreover, through combining empirical studies on American workplaces with a new normative vocabulary, she holds that this authority relationship is largely unaccountable to the employees and constitutes a *private* form of government, i.e., a situation in which power is arbitrarily exercised over the employees in accordance with the bosses’ private considerations rather than publicly justified rules. As a result, employees suffer unfreedom in the form of domination since they do not have an effective recourse against their employers’ arbitrary exercise of power. The ideal of equality in social relations is undermined as the unaccountable authority structures in the workplace harm the equal standing of individuals. By categorizing the workplace as a kind of political organization with authority structures, Anderson signals that she is highly critical of the economic idealization that conceptualizes employment relations as a type of market transaction between the employer and the employee (xx).

The book is a collection of Anderson’s Tanner Lectures delivered at Princeton University, four commentaries from experts in different fields, and Anderson’s final response to the commentators. In the first lecture, Anderson explicates the historical roots of the free market ideology, which relies on the idea that markets bring about liberation not only for the rich but also for small producers and workers. She argues that the pre-Industrial Revolution proponents of the free market had an emancipatory and egalitarian vision in their political thinking. However, Anderson holds that their normative outlook was bound to fail because they could not foresee the social transformation that was brought about by the Industrial Revolution. During and after the Industrial Revolution, “economies of scale overwhelmed the economy of small proprietors, replacing them with large enterprises that employed many workers” (33). As the emergence of large scale firms with vertical hierarchy structures granted employers unaccountable and disproportionate power over their employees (leading to a kind of domination which workers suffer in contemporary

workplaces), Anderson believed that the egalitarian discourse of the early free market ideology became severely divorced from reality.

Anderson's first example of the egalitarian free market ideology comes from a political movement: The Levellers, which arose in the seventeenth century during the English Civil War. According to Anderson, the Levellers' commitment to private property and free trade ought to be interpreted in its historical context. Their positive stance on the market economy was a part of a broader political program that challenged the traditional authority structures in a feudal society (13–14). The arbitrary power of political and religious authorities was opposed by their demand for extended suffrage and religious freedom. Following a similar line of reasoning in the economic domain, the Levellers took the state-licensed monopolies as an extension of the same traditional authority structures. The undeserved privileges of the monopolists were nothing but another instance of arbitrary power that threatened "the personal independence of small traders and artisans" (14).

Shifting the focus from an early modern political movement to the founding father of political economy, Anderson presents Adam Smith as another figure of the egalitarian market ideology (17). In Smith's partly normative theory of political economy, the central virtue of the market society is its capacity to promote individual liberty (18). As the market society implies a transition from the gift economy to market exchange, leading to the rise of commerce and manufacturing as a new means of subsistence, Smith believes that individuals in the market society would not have to count on their superiors' benevolence for their subsistence. This possibility of personal independence in turn allows room for individual liberty as non-domination. Furthermore, Smith's emphasis on the emancipatory dimension of the market society is accompanied by an egalitarian social order of small producers (21–22). His ideal market society constitutes a picture of equality in which "nearly all capital owners will have to work for a living" (21). In addition to this, Anderson assesses the pro-market republican thoughts of Thomas Paine and Abraham Lincoln that were prominent in the United States during the eighteenth and nineteenth centuries. Similar to the Smithian political economy, the central element of the free market ideology of the American republicans was the ideal of self-employment and small-scale enterprises (23). Paine and Lincoln held that to promote the free market was to promote the well-being and liberty of the ordinary citizens, most of whom were already independent businesses owners.

Anderson then argues that the egalitarian free market ideology failed for the same fundamental reason in all three examples. The proponents of the egalitarian free market did not foresee how the Industrial Revolution brought about the transition from small-scale enterprises to the larger firms due to economies of scale (33). As a result of the Industrial Revolution, the inner division of labor in workplaces became increasingly more complex. A stark division was created between manual and mental labor (34). The organizational structure of the workplace changed into a highly hierarchical scheme, as the top-down management approach over complex procedures was proven to be the most efficient method. Consequently, contemporary market societies turned out to be the exact opposite of what The Levellers, Smith, Paine and Lincoln had envisioned. Workplaces had increasingly become authoritarian places due to the striking power and status asymmetries between employers and wage laborers. Moreover, the rapidly spreading commodification of labor undermined the ideal of self-employment and personal independence that early modern market ideologues were longing for.

One of the greatest accomplishments of Anderson's book is her rigorous treatment of the relationship between the historical understanding of political ideas and their current normative potential in political theory. Despite the fact that the early modern market ideology is not a promising option for today's prescriptive approach to politics, grasping its historical context is still important to be able to construct a negative normative critique of the contemporary free market discourse. This context-sensitive outlook enables us to adopt a genealogical stance towards the notion of the market society in that it reveals that the merits of any normative theory of economic institutions are a function of the surrounding societal facts, which inevitably change over time. Equipped with this historical understanding, one has a much stronger case against those who take the markets and its liberatory function for granted.

One shortcoming of the first lecture is that Anderson underestimates the significant disparity between the narrative of the early modern free market ideology and the social reality of the seventeenth and eighteenth centuries in England. As the first two commentators point out, early modern English society was already highly stratified and there was a prevalent commodification of labor. This picture is at odds with the egalitarian utopia of the small producers which was advocated by the early modern free market ideologues. Anderson conceives of the early modern free market supporters' optimism about the market society mainly as a prediction error (121). She believes that their

predictive failure regarding what the market society would eventually lead to does not entail that they were endorsing the actual inequalities brought about by the market mechanisms. However, the problem is that these thinkers were already living in an age where the actual impacts of the market society were being felt. In response to this fact, Anderson contends that the proponents of the egalitarian free market were also discontent with the economic status quo and hoped to overcome the working-class grievances by institutionalizing measures such as a comprehensive system of social insurance or state-funded education for workers (124). Nonetheless, it is a controversial yet empirical question whether these reformist proposals were radical enough to eliminate the already existing inequalities at that time. As a political philosopher who claims to be engaged in ideology critique in her book, Anderson might have considered assessing another possible interpretation, namely, that the early modern free market discourses functioned as ideologies in the pejorative sense, which rationalize economic inequalities by means of ostensibly egalitarian discourses. The best method for this assessment would be to clarify both the scope of the proposed reforms and the magnitude of their potential influence. If the proposed reforms have relatively trivial practical implications in changing the socio-economic inequalities in those societies, then one might have a good reason to believe that the egalitarian emphasis of the early modern free market ideology was insufficient in coping with the socio-economic inequalities caused by the pre-Industrial Revolution setting, regardless of their proponents' personal intentions.

In the second lecture, Anderson aims to provide a normative theory of the workplace that makes sense of the contemporary organizational setting in capitalist firms. She first emphasizes the importance of the state-government distinction. Although "*government* is often treated as synonymous with the state," she contends that forms of government are present in all aspects of social life in which authority figures issue order backed by sanctions (41–42). Contemporary workplaces are one of these domains where power holders (the bosses) enjoy authority over subjects (their employees). Employers' arbitrary exercise of power ranges from "regulating workers' off-hour lives" to violating the employees' right to free speech (40). The most common sanction that the employers implement is exile (i.e., terminating the employment contract). Given that the employees usually have no promising alternative other than emigrating to yet another authoritarian workplace, it seems that they are unable to escape from the realm of employers' authority

(38). Moreover, it is notable that the cost of exit is prohibitively high for employees since “voluntary quitting” often makes them ineligible for unemployment insurance (56).

Anderson makes another important distinction between the notions of *public* and *private*. She develops a relativistic conception of the public-private distinction according to which the publicity of an issue is constructed in relation to the members of a particular community (43). For instance, a sports club is a public entity from the members’ point of view in that every member of the club has a say regarding how the club ought to be run. Conversely, the club’s affairs are a matter of private conduct in relation to the state and outsiders. A private domain relies on some individuals’ exclusionary claim that others ought not to interfere with the claim-makers in that specific domain. Following this distinction, Anderson holds that the contemporary workplace is a *private* form of government. This is because the power that employers *arbitrarily* exercise over their employees implies that the former acts as if their exercise of power is none of the latter’s concern (45). Consequently, employees suffer republican domination (unfreedom) unless employers’ powers are brought under the supervision of *publicly* endorsed rules and institutions (63–64).

The term ‘Private Government’ provides us with brilliantly new ways of talking about the normatively problematic aspects of employment relationships. In addition to its critical and prescriptive contributions, this work should also be appreciated due to its methodological foundation. Specifically, the methodological foundation is built with the help of analogies (e.g., the state-firm analogy) and rescaling the extension of the existing concepts (e.g., the private-public distinction). It is through this term that Anderson illustrates how conceptual innovation is achieved in practical philosophy. If one also considers Anderson’s genealogical and empirical evidence-friendly approach to the problems she discussed in the book, one can say that *Private Government* is relevant to many methodological debates in contemporary political theory and philosophy such as non-ideal theory, realism and conceptual engineering.

However, despite the accomplishments of Anderson’s theory of the workplace, she fails to offer an account of employers’ *inherent powers* and their implications for the workplace domination. The examples Anderson discusses pertain to the contingent powers that employers enjoy such as arbitrary interference with employees private life or the imposition of harsh working conditions which enhance productivity. These powers are contingent in the sense that the relevant situations can be altered by introducing legal and

institutional mechanisms which counter balance the employers' influence. However, what about the employers' powers that are inherent in the capitalist regime of private property and production? Even if the institutional proposals offered by Anderson (e.g., improving the working conditions and giving workers a voice in the workplace) are enforced, capitalists can still destabilize and partially undermine these measures by using their price-setting and output-adjusting powers. Imagine that legal and institutional measures forbid employers to impose working conditions which are below a specified standard. Given that capitalists have productivity losses due to the improvements in the working conditions, one possible way to restore profitability would be to repress wages. Let us further imagine that the state also imposes a minimum wage. Hence, substantially reducing wages is not possible. Nonetheless, especially through concerted action and under the conditions of imperfect competition, capitalists can still increase prices. This would lead to a decrease in the real wages due to rising rate of inflation. Whenever there is pressure on the employers to increase wages so as to protect workers from the effects of inflation, they will always have the liberty to rise prices further, eventually leading to a wage-price spiral. As a result of this price-setting power, capitalists can effectively counter-act against the state regulations meant to protect workers.

Similarly, capitalists may also arbitrarily enjoy their output-adjusting powers. Whenever democratic politics brings a reformist agenda into action, where the intended reforms have a negative impact on the intensity of economic exploitation in the workplace, capitalists have the power to respond by scaling down or withholding investment. Since their response would bear severe social costs due to rising unemployment and instability, it is plausible to hold that capitalists' inherent powers in output-adjusting might undermine the ambitious reform demands in the workplace. Evidently, covering these aspects of the capitalist economy would be partly beyond the scope of Anderson's book since my examples are related not only to the workplace but also to the economy on a macro level. However, it is important to note that realistic prospects to reform workplace relations cannot be isolated from the macro dynamics of capitalist economies for the aforementioned reasons. Hence, Anderson should at a minimum explain how her reformist agenda can overcome the systemic private powers of capitalists. Without considering this problem, a micro-institutional focus on the workplace seems to have serious limitations.

Despite my criticism, I fully acknowledge that *Private Government* is a significant work that could potentially reorient the political theory of economic institutions. It

combines philosophical creativity with rigorous evaluation of historical and empirical evidence. By this means, the book brings fresh insights to a mundane but overlooked topic. Therefore, it is definitely worth reading, especially for those who are interested in the intersection of normative theory and political economy.

#### **NOTE**

1. Her article “What is the Point of Equality?” might be considered to be the initial step of this contribution. See Anderson (1999).

#### **REFERENCE**

Anderson, Elizabeth. (1999). What is the Point of Equality? *Ethics* 109, 287–337.