



We value your privacy

We and our [partners](#) store and/or access information on a device, such as cookies and process personal data, such as unique identifiers and standard information sent by a device for personalised ads and content, ad and content measurement, and audience insights, as well as to develop and improve products. With your permission we and our partners may use precise geolocation data and identification through device scanning. You may click to consent to our and our partners' processing as described above. Alternatively you may click to refuse to consent or access more detailed information and change your preferences before consenting.

Please note that some processing of your personal data may not require your consent, but you have a right to object to such processing. Your preferences will apply to this website only. You can change your preferences at any time by returning to this site or visit our [privacy policy](#).

ACCEPT ALL

MORE OPTIONS

DECLINE ALL

income and services. In short, the distributional effects of public ownership itself on nondomination may more than offset potential efficiency costs.

Efficiency arguments against socialist republicanism are not ultimately convincing. Potential efficiency costs of public ownership need to be weighed against potential efficiency benefits from greater worker participation and oversight of management. There is no conclusive argument to demonstrate that alternatives to investor-owned firms are currently sparse because of low efficiency. The actual empirical evidence in relation to public ownership is itself mixed and does not give us a strong reason to think there will be prohibitive declines in efficiency. Moreover, the egalitarian distributional effects of public ownership with significant worker and citizen control are likely to outweigh efficiency costs with respect to the influence on dominating power. None of this requires us to take the further step of shifting the focus from technical and productive efficiency to consider social efficiency and the externalities that investor-owned firms impose on citizens.

Frye raises another line of objection to socialist republican remedies that—although emerging from concerns about agency costs—can, it seems to me, be articulated independently of the threat of low technical or productive efficiency under public ownership. It emphasises the difficulty of ensuring that managers are held accountable when multiple stakeholders with heterogeneous interests are participants in economic governance. Let us grant that managers and some degree of managerial discretion are needed in any large-scale economic enterprise. If domination is not to result, this necessitates mechanisms for accountability in the exercise of managerial power, because “discretion opens up the possibility of using that power in a way that does not track the interests of those over which they have power.”⁸ But the polyarchic form of public ownership that I advocate is thought to impede this accountability “by both complicating the metric of wrongdoing and allowing managers to play politics.”⁸ When there is no single simple criterion like profitability to use to judge a manager’s performance, then the business of assessing and holding them accountable for wrongdoing becomes messier. Furthermore, if multiple principals with different aims and interests are tasked with monitoring an agent, then that agent can use the lack of a unified front among the principals to avoid oversight.

My suspicion is that a fatal equivocation has occurred here in how accountability is understood. There can indeed be difficulties in ensuring managers are accountable when multiple stakeholders with different and sometimes competing interests are tasked with governance. But the problems this introduces are primarily those of accountability to the *stakeholders* rather than accountability that tracks the interests of everyone that managerial power is held over. Take investor-ownership, where the shared profit-motive of the principals can make it easier for them to take a stand against behaviour that can hurt the bottom line—shirking, nepotism, recklessness, stealing, and other forms of financial mismanagement. The power of managers is thus more easily made to track the interests of shareholders, who are thereby less subject to the arbitrary will of management. But what about others

subject to managerial power—such as workers who encounter this power more intimately and viscerally in their daily lives? We might hope a monomaniacal focus on profit or dividends will lead shareholders to keep in check some of the managerial excesses that harm workers—for instance, sexist or racist discrimination that would lead valuable employees to leave unnecessarily. But the accountability of managers to shareholders in investor-owned firms very often drives a rapacious and arbitrary exercise of power over workers rather than shielding them from it. If the one thing shareholders care about is profit, then managers will have free reign to use the tremendous power at their disposal to pressure, bully, exploit, and lie to workers in pursuit of these ends. How is *this* form of managerial accountability forcing their power to track the interests of the workers over whom it is held?

Similar lessons apply to arbitrary managerial power over consumers and citizens. The discretion to engage in price gouging with respect to an important medicine will not be rendered nonarbitrary by accountability to shareholders who agree that profit maximisation is the primary metric for assessing managerial performance—at least, in the absence of sufficient reputational damage to the firm. Nor will accountability to profit-hungry shareholders be a restraint on the arbitrary power of managers to shut down a factory, supermarket, or utility that the local community relies upon. The decision-making process in these cases is indifferent to the interests of a great many of those over whom managerial power is held. Workers, consumers, and citizens alike are not, then, effectively shielded from domination by managerial accountability to shareholders. Indeed, the opposite is true; this form of economic governance lets arbitrary power run wild. A narrow focus on the principal-agent relationship merely between stakeholder and manager can blind us to this fact.

Socialist republicans believe we can reduce economic domination by ensuring that control of economic institutions more closely reflects those affected by their activities. The idea that many different interests will have to be negotiated is therefore no surprise. As H el ene Landemore and Isabelle Ferreras tell us, “it is precisely because of the heterogeneity of interests at play that more democracy and more workers’ participation is needed.”⁹ Whatever the limitations of the investor-owned firm in stemming domination, does the multiplicity of voices under an inclusive form of public ownership nevertheless create such a cacophony that domination goes undetected and unchecked? Frye worries that such an approach will overcomplicate the metric of wrongdoing for managers, whereas I have suggested that profit alone is simply the wrong measuring stick if we care about domination. I do not deny that more democratically responsive standards of accountability are likely to be more difficult to quantify. But Amartya Sen’s maxim for social measurement is salutary here: “it is undoubtedly more important to be vaguely right than to be precisely wrong.”¹⁰

There may be some truth to Frye’s related claim that managers or other potential dominators could play stakeholders with different interests off against one another in an attempt to escape effective monitoring and regulation. Against this should be weighed some of the possible benefits of being able

to draw upon a larger and more diverse group in the oversight of potential dominators. Aristotle recognised some of these merits of collective governance when he observed that “each individual among the many has a share of excellence and practical wisdom, and when they meet together, just as they become in a manner one man, who has many feet, and hands, and senses, so too with regard to their character and thought.”¹¹ What may be lost in cohesiveness of vision and purpose in this transformation may be gained in the expansion of capacities for scrutiny, deliberation, and action.

Nevertheless, socialist republicans should be attentive to some of the trade-offs that might be involved in pursuing an inclusive form of public ownership that seeks worker, consumer, and citizen participation, when contrasted with a more centralised and top-down “Morrisonian” model of public ownership through nationalisation and state control.¹² When public ownership is polyarchic then it avoids placing dominating concentrations of power in the hands of the few, but the lack of a single stakeholder like the state may mean that the socialist republican has to think more creatively about institutional mechanisms that could dampen the ability of other potential dominators to slip through the cracks. But this is an instance of a general tension in republican governance: a highly unified power that could quash domination—whether in the hands of private shareholders or the state—risks being overmighty enough to constitute domination. My view is that an economy based on investor-owned firms not only does not escape this tension, but succumbs to it in a particularly egregious way, since the stakeholder power it grants to a homogenous group of profit-seeking shareholders tends to accelerate rather than block domination elsewhere in the firm in addition to being directly dominating itself. In short, it is the worst of both worlds.

In conclusion, I am not convinced on grounds of efficiency or accountability that socialist republicanism would fail to curtail the economic domination rife in capitalist societies. Frye’s critique can be restated in terms of three searching questions for the form of public ownership I favour. Will it significantly reduce economic efficiency? Would such a reduction increase domination? Will a lack of managerial accountability increase domination? My answer to all three questions has been no. I have argued that neither theoretical considerations nor the empirical evidence establishes that public ownership is particularly susceptible to a decline in technical or productive efficiency. Even if we did find this effect empirically, the egalitarian distributive effects of public ownership are likely to be more decisive in ensuring that the needy are not left so economically vulnerable that they are susceptible to domination. Finally, the managerial accountability imposed by investor-owned firms takes the wrong form to shield workers, consumers, and citizens from dominating managerial power, even if it protects the financial interests of shareholders. Frye has presented some interesting challenges—but socialist republicanism passes the test.

Acknowledgments

I would like to thank Keith Breen for recommending some relevant literature on economic efficiency and workplace democracy.

Footnotes

1. Harrison Frye, "Efficiency and Domination in the Socialist Republic: A Reply to O'Shea," *Political Theory* (2020), doi:10.1177/0090591720903392.

[GO TO FOOTNOTE](#)

2. Frye follows Henry Hansmann, *The Ownership of Enterprise* (Cambridge, MA: Harvard University Press, 1996), ch. 3. For a compelling methodological critique of Hansmann's claims about efficiency, see Gregory Dow, *Governing the Firm: Workers' Control in Theory and Practice* (Cambridge: Cambridge University Press, 2003), 124–26. See also H el ene Landemore and Isabelle Ferreras, "In Defense of Workplace Democracy: Towards a Justification of the Firm–State Analogy," *Political Theory* 44, no. 1 (2016): 53–81, 71–72.

[GO TO FOOTNOTE](#)

3. Henry Hansmann, "When Does Worker Ownership Work? ESOPs, Law Firms, Codetermination, and Economic Democracy," *The Yale Law Journal* 99, no. 8 (1990): 1749–1816: 1761–70.

[GO TO FOOTNOTE](#)

4. Samuel Bowles and Herbert Gintis, "A Political and Economic Case for the Democratic Enterprise," *Economics and Philosophy* 9 (1993), 75–100, 93.

[GO TO FOOTNOTE](#)

5. Jon Elster, "From Here to There: Or, If Cooperative Ownership Is So Desirable, Why Are There So Few Cooperatives?" *Social Philosophy and Policy* 6, no. 2 (1989), 93–111; Dow, *Governing the Firm*, 234–59.

[GO TO FOOTNOTE](#)

6. Thomas M. Hanna, *Our Common Wealth: The Return of Public Ownership in the United States* (Manchester: Manchester University Press, 2018), ch 2. See also Malcolm Sawyer and Kathy O'Donnell, *A Future for Public Ownership* (Leeds: Centre for Industrial Policy and Performance, 1998), ch. 3; Robert Millward, "State Enterprise in Britain in the Twentieth Century," in *The Rise and Fall of State-Owned Enterprise in the Western World*, ed. Pier Angelo Toninelli (Cambridge: Cambridge University Press, 2000), 170–73; Andrew Cumbers, *Reclaiming Public Ownership: Making Space for Economic Democracy* (London: Zed Books, 2012), 98.

[GO TO FOOTNOTE](#)

7. Tom O'Shea, "Socialist Republicanism," *Political Theory* (2019): 17–18, doi:10.1177/0090591719876889.

[GO TO FOOTNOTE](#)

8. Frye, "Efficiency and Domination," 6.

[+ SHOW FOOTNOTES](#)

9. Landemore and Ferreras, "In Defense of Workplace Democracy," 71.

[GO TO FOOTNOTE](#)

10. Amartya Sen, "Development as Capability Expansion," *Journal of Development Planning* 19 (1989), 41–58, reprinted in *Readings in Human Development: Concepts, Measures and Policies for a Development Paradigm*, eds. Sakiko Fukuda-Parr and A.K. Shiva Kumar (Oxford: Oxford University Press, 2003), 3–16, 6.

[GO TO FOOTNOTE](#)

11. Aristotle, *Politics*, trans. Jowett/Barnes, ed. Stephen Everson (Cambridge: Cambridge University Press), bk. 3, ch. 11, 1281a.

[GO TO FOOTNOTE](#)

12. Herbert Morrison was the Labour Party minister responsible for implementing Britain's postwar nationalisation programme, which combined state ownership with arms-length but hierarchical structures of governance.




[GO TO FOOTNOTE](#)

Biographies

Tom O'Shea is a senior lecturer in Philosophy at the University of Roehampton. He researches the history and theory of freedom and is currently working on radical republican political theory. His latest article on this topic, "What is Economic Liberty?" is forthcoming with *Philosophical Topics*.

Related content

Similar articles:

-  Restricted access
[Efficiency and Domination in the Socialist Republic: A Reply to O'Shea](#)
Show details ▾
-
-  Restricted access
[Socialist Republicanism](#)
Show details ▾
-
-  Restricted access
[In Defense of Workplace Democracy: Towards a Justification of the Firm–State Analogy](#)
Show details ▾
-

[View more](#)

SAGE recommends:

SAGE Knowledge

Entry

[Corporate Governance](#)

Show details ▾

SAGE Knowledge

Whole book

[Good Governance, Democratic Societies and Globalisation](#)

Show details ▾

SAGE Knowledge

Entry

[Productive Efficiency](#)

Show details ▾

[View more](#)

Also from SAGE Publishing

CQ Library

American political resources

Data Planet

A universe of data

SAGE Business Cases

Real-world cases at your fingertips

SAGE Campus

Online skills and methods courses

SAGE Knowledge

The ultimate social science library

SAGE Research Methods

The ultimate methods library

SAGE Video

Streaming video collections

Technology from SAGE

Make learning and research easier