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Political Conception of the
Employment Relationship."

by

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Working Paper No. 251

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It has often been remarked that the employment relationship may be regarded not only as an economic phenomenon but also as a political system (Chamberlain and Kuhn, 1965, Commons, 1921, Leiserson, 1922, Mason, 1959). However, despite many decades of discussion about issues such as industrial democracy, political analysis of employment relations has been slow to develop. Few political scientists have focussed their attention on the enterprise. They have instead been almost exclusively concerned with the problems of the state (see Dyson, 1976). Indeed, most students of industrial relations who have employed political imagery have been economists (e.g. Commons, 1921, Chamberlain and Kuhn, 1965, Derber, 1970) or sociologists (e.g. Blumberg, 1968) or industrial relations pluralists (e.g. Clegg, 1960).

In this paper I look at the enterprise as political scientists look at the state. The working proposition is that the state and the enterprise may be regarded as two manifestations of a single class of phenomena. Both are political systems which may be analyzed and compared utilizing a single set of concepts.

In recent years there has been a large increase in the literature on the role of management in industrial relations (Gospel, 1983; Purcell and Sisson, 1983; Gospel and Littler, 1983; Thurley and Wood, 1983; Windmuller and Gladstone, 1984; Macdonald, 1985; Storey, 1983; Purcell, 1983; Godard and Kochan, 1982; Poole and Mansfield, 1980; Kochan, McKersie and Capelli, 1984; Sisson, 1983). One of my objectives in this paper is to add to that literature by developing the concept of managers as governors of enterprise. I will attempt to demonstrate that managers as rulers of enterprise have behaved in a manner almost identical to that of rulers of nation states. Both have vigorously sought to defend their unilateral right

to rule. Managers have, however, been more successful. The result is that there is a discontinuity between state and enterprise governance forms. Contemporary Western states are democracies but enterprises are not. From a legal-economic perspective the discontinuity may seem to be natural. From a political perspective, however, it is very troublesome.

The Enterprise as Polity

There are many ways to classify forms of governance but one common typology has three variants: 1) autocracy in which the governors make and administer all of the rules unilaterally; 2) constitutionalism in which the governors rule within an institutional framework which constrains the decisions that they may take and 3) democracy in which the governors are elected by and responsible to the governed. In their classic work on Management in the Industrial World (1959) Harbison and Myers proposed that this framework, which is commonly applied to nation-states, could also be usefully applied in industry. However, Harbison and Myers who were trained as economists were not entirely comfortable with political imagery. Instead of referring to the typology as one of governance forms they instead spoke of it as a categorization of management strategies. In short, they applied political concepts metaphorically. The discussion that follows proceeds from the assumption that state governance is not merely a metaphor for enterprise governance but rather that the two levels are part of a single class of phenomena.

Autocracy

Under this form governors rule dictatorially. They make, administer and interpret all of the rules regarding the conduct of the governed. They specify unilaterally, what is expected, permitted and forbidden. The governed under autocratic rule have no right of participation in rule making. Usually they may choose to leave the polity but if they stay they must accept the dictates of the ruler.

This description, it seems to me, is accurate when applied at either the nation or enterprise level. Under laissez faire, free enterprise systems management typically makes all decisions regarding employees: who and how many to hire; what to pay; what hours employees should work; the pace of work; whether or not to train and if so who, how many and in what depth; who to promote; who to fire; who and how many to lay off or dismiss; retirement age and conditions of retirement; and of course what to produce; where to produce it; the production technology; and the price of the product.

There are, of course, constraints on management. Without labour there can be no production and since firms under laissez faire capitalism compete with each other to attract labour, conditions need to be competitive. Competition however, has never reached the level of perfection that exists in abstract models with the result that management, especially management of firms of any size, has a great deal of discretion to formulate internal rules and policies (see Lindblom, 1977).

Individual employees may, of course negotiate the terms of their association with the enterprise since within liberal democracy they cannot usually be compelled to work for any one firm. However, in such negotiations, the bargaining power of management is far superior to that of

the individual employee in most cases. As a result potential employees are unable to insist upon the inclusion of participation rights as part of their contract. Absent such a clause Western legal tradition assumes that the contract contains "a set of implied terms reserving full authority of direction and control to the employer." (Selznik, 1969, p. 136; see also Atiyah, 1979; Ramm, 1982).

Even if individual employee bargaining power was somehow enhanced enormously, management would still control policy regarding issues such as job and pay structures, pensions, health and safety, training and technological change. A separate deal with each employee would simply be impractical. Employees may participate in policy issues only through collective means, and since collective decision-making does not exist within classic laissez faire free-enterprise, the power to decide stays with management.

Competition for participants does not differentiate state and enterprise governments. States often compete for labour. During their formative years, for example, Canada, the U.S. and Australia competed vigorously for skilled workers from Europe. More recently Northern European countries sought to attract guest workers from southern Europe during the 1960's and 1970's. In both cases the bargaining power of the individual compared to that of the state was closely equivalent to that of the potential employee in comparison with the enterprise.

Just as dictatorial kings could be benevolent or tyrannical, so may be enterprise autocrats. One common form of benevolent enterprise autocracy is paternalism (see Harbison & Myers, 1959; Bendix, 1963; Fox, 1985). Under this governance strategy loyalty, appreciation, and deference is expected of employees in return for employment security, decent conditions of work and

reasonable pay. Paternalism in its extreme form (under which management specifies proper employee conduct over a broad range of personal issues) is no longer considered acceptable in much of the liberal democratic world but milder versions are common. Paternalism is, of course, a fundamental aspect of the state governance form known as feudalism. Indeed, under feudalism relations between the state and its subjects and between employer and employee were closely integrated. For example, relations between peasants and the lord of the manor were a seamless web of political and economic obligations and institutions.

Benevolent autocrats may unilaterally implement various schemes designed to permit employee (subject) input into decisions. For example, in the late 19th and early 20th century "employee representation plans" (often referred to disparagingly as company or yellow unions) were widely introduced throughout Europe and North America (see Douglas, 1921). Their purpose was to allow employees, through representatives, to express their desires regarding many of the issues noted above. Management, however, always maintained final decision making authority as well as authority to end the participation scheme.

These schemes have their counterpart at the national level. For example, in countries which are nominally democracies or republics but are actually dictatorships (e.g. Haiti under the Duvaliers or the Phillipines under Marcos) there is always a representative assembly. Its capacity to decide is always determined by the dictator.

During the 1970's, in an era of labour shortage, inflation, and labour militancy, many managements introduced schemes, such as autonomous work groups, which gave employees at the shop floor considerable control over their daily tasks. Such schemes were sometimes heralded as "workplace

democracy" (see Nightengale, 1982). But again, these schemes were (and are) more analogous to the freedom permitted by state dictators to their subjects to conduct their own affairs so long as the results were consistent with the objectives of the ruler. When subjects and ruler had different interests, the will of the ruler prevailed. For example, under feudalism, villagers were often permitted by the lord of the manor to manage their own affairs so long as the decisions which they reached did not go against his interests. Much the same can be said about the more recent relationship between colonial rulers and their colonial subjects. When autocratic rulers change their mind for whatever reason they may alter participation schemes regardless of the wishes of those affected. Examples at both state and enterprise level are innumerable. (see e.g. Flaherty, 1985).¹

At either the state or enterprise level schemes in which the "rights" of the governed are entirely contingent upon the goodwill of an autocratic governor cannot be legitimately referred to as democracy. (For a similar comment see Chell, 1983).

Constitutionalism

A government rules constitutionally when it is constrained by a body of rules which restrict the decisions which it may take. Within the confines of those rules it may still decide unilaterally. Management rules constitutionally when it is constrained by some combination of legal requirements (e.g. minimum wages and maximum hours) and agreements arrived at through negotiations with representatives freely chosen by the employees. During the past several decades legal rights granted to employees, and therefore restrictions placed on employers have expanded considerably. Moran, noting this development has argued that it represents a new step in

the evolution of citizenship (Moran, 1979). In the 18th century civil rights such as the freedom from arbitrary arrest came into existence. Political rights such as the right to vote began to be extended in the 19th century. The first half of the 20th century saw the advent of widespread social rights such as the right to a free education. Finally since World War II industrial citizenship rights - the right not to be discriminated against for irrelevant reasons, the right to a safe workplace, the right not to be dismissed arbitrarily - have become firmly embedded.

Within constitutional systems mechanisms typically exist which permit subjects to influence the decisions of the government. Constitutional monarchs rule (or nowadays only reign), for example, within a framework of decisions and procedures negotiated with a representative body such as a parliament.

In industry today employees may participate in the making of enterprise policy via some combination of representation by trade unions, statutory works councils and delegates on corporate boards of directors. As a result of these institutions, most enterprises in the liberal democratic world must be classified today as being governed constitutionally.

However, constitutional governance varies considerably. Britain, for example, has had a constitutional monarchy for several hundred years but the power of the monarch, the mechanisms of decision making, the number of subjects (citizens) able to participate, and the range of issues open to joint discussion and decision have changed greatly over the years.

There is also a great deal of variability when one looks today at enterprise governance. For example, the U.S. depends almost entirely on union-management collective bargaining whereas West Germany employs a combination of collective bargaining, works councils and worker

participation on boards of directors. In the U.S. collective agreements apply to only about 20% of the labour force whereas in Scandinavia, West Germany, Austria, and the low countries (as examples) collective agreements apply to most employed people (see World Labour Report, 1985). West Germany specifies issues subject to works council-management co-decision at the enterprise level whereas in Canada, Britain and Japan the range of issues to be decided under collective bargaining is largely left up to the parties to decide. Those countries do not utilize statutory works councils or employee board representation as a general rule. Impasses on joint labour-management bodies may be settled by resort to strikes, lockouts, arbitration or by unilateral decision.²

Variation within the category of constitutional governance occurs on three major dimensions of subject participation: the range of issues on which they may participate; the degree of participation (e.g. information, consultation, co-determination); and the level at which participation takes place (see Poole, 1978). When applied to the state the appropriate general levels are local, provincial and national. When applied to the enterprise they are shop floor, establishment and company.

Today most management spokesmen accept in principle the idea of constitutional governance in some form or degree (see Windmuller and Gladstone, 1984). The general propensity, however, is to avoid the addition of new constraints to those which already exist regardless of the likely impact. The governments of American companies such as IBM, Tandy Corporation, Texas Instruments, and Proctor and Gamble are examples of very weak constitutionalism bordering on dictatorship. They vigorously oppose collective bargaining despite the widespread acceptance of collective bargaining in principle and despite the existence of a national policy

designed to encourage collective bargaining. The only formal constraints on their unilateral power to rule are government imposed standards regarding issues such as maximum hours, health and safety and human rights.

In North America and Britain management generally opposes participation by workers on boards of directors despite implementation of such schemes in several European countries. In West Germany management opposes attempts by unions to strengthen shop floor union committees even though North American employers have dealt with strong shop floor unions for many decades. Japanese employers operate successfully with enterprise unions in Japan but when they open branches in North America many pursue union-avoidance as vigorously as their native counterparts.

This universal opposition to forces in the direction of more democracy is strongly reminiscent of the behavior of state governments over the past several centuries (Therborn, 1977). Indeed the analogy is almost exact (see Leiserson, 1922). Western rulers fought each step of the way against attempts to limit their powers to decide. Managers do precisely the same thing. A general principle appears to be at work: once possessed, power is given up only reluctantly and only under duress.

However, once a new step is taken down the road away from dictatorship towards democracy and the new form of governance becomes institutionalized, it is common for both state and industrial governors to embrace it. Most participants in state governance today are avid supporters of democracy although their predecessors vigorously opposed it. Employers tried to destroy early trade unions but today unions are accepted as important institutions in liberal democratic society. German management protested strenuously against the extension and strengthening of the co-determination system but now that it is in place widespread opposition has ceased

(Streeck, 1985). British management generally has not attempted to abrogate its relations with trade unions in the 1980's despite the existence in power of a government opposed to unions and collective bargaining (Brown, 1985). Employers in the U.S. are an exception. Under the Reagan administration many have attempted to throw off the constitutional constraints of collective bargaining and return to quasi-dictatorial forms of government (see e.g. Kochan, et al, 1984).

Democracy

The third form of governance in Harbison and Myers' typology is democracy. The term "democratic" has positive connotations in the contemporary world and it is therefore used without much discrimination. Many dictatorships in the less developed world refer to themselves as democracies in order to present a positive and modern image. Students of industrial relations, as noted above, sometimes use it to refer to management initiated and controlled schemes. It has also been used to refer to labour-management decision making via co-determination procedures in West Germany and collective bargaining in the U.S. (see Windmuller, 1977).

Democracy, however, is customarily defined as a political system in which the governors are elected by and are responsible to the governed. We follow that custom here. German co-determination and American collective bargaining should be thought of as forms of constitutional governance. Management initiated participation schemes are examples of autocratic benevolence.

Democracy, as defined above, is universally practiced in the economically advanced, market oriented nations at the level of the state. It is practically absent at the enterprise level. The only exceptions are the

small number of employee owned and controlled companies.³ Even though all of the nations of the industrialized, market oriented world are governed by democratic procedures the modal form of governance in industry is weak to moderate constitutionalism. Everywhere in the West managers have been able to reserve to themselves discretion in regard to a wide range of issues which in the national sphere would be open for debate and liable to decision by representatives of the citizenry.

From economic and legal perspectives this discontinuity between national and enterprise governance may seem to be natural. The starting point implicitly accepted in economic analysis is absolute managerial power to decide. In economic theory labour is simply a commodity to be purchased at market prices and thereafter to be manipulated freely without constraint just as other commodities. In legal theory the individual is formally considered to be able to negotiate any arrangement and therefore the arrangements which exist must be mutually satisfactory to both labour and management. They should, as a consequence, be approved by society as a whole. In practice, as discussed above, management's bargaining power is usually vastly superior to that of potential employees. As a result the practical starting point is, as in economic theory, absolute management power to decide.

Disciples of economic and legal theory generally agree that such absolute power is somewhat problematic in democratic society and they, therefore, are often willing to accept that some constitutional checks on that power are justified. They are, however, likely to emphasize the probable negative consequences of moving too far away from pure markets (e.g. possible loss of economic efficiency) or pure contracts (e.g. loss of

freedom). In short, economic and legal theory are conservative with regard to possible change from the status quo.

From the political perspective on the other hand, the discontinuity between governance forms at the state and enterprise levels is a matter of deep concern. In any nation which adheres to and cherishes democratic decision making, one would expect that all institutions in that society would adhere to democratic procedures unless very good reasons for deviating from the ideal could be produced. For example, democracy is not practiced in the military services of democratic nations because there is general agreement that the practice of democracy would severely obstruct the military from achieving its objectives.

Democracy is, however, practiced in most clubs, associations, trade unions, municipalities, etc. Indeed, whenever new organizations are created, democratic procedures usually emerge without effort or discussion. Why then is democracy not practiced in industry? Several arguments have been put forth to justify its absence.

One argument is that public corporations already are democracies of another sort - shareholder democracies (Eisenberg, 1976). Shareholders (citizens?) elect the board of directors (parliament?) who appoint the management (bureaucracy?). Management is legitimized by and responsible to the shareholders.

This conception has two major flaws as a defense against criticism that the corporation is not democratic. First, as many observers have noted, a large gap has opened during the twentieth century between ownership and the control of the corporation (see Berle and Means, 1932, Herman, 1981). In most large corporations top management selects the board of directors. Shareholders generally make little effort to involve themselves in the day

to day operations of the firm. They are, for the most part, interested in return on investment not enterprise governance.

Second, as noted by Chayes, management does not "govern" the shareholders it governs the employees (Chayes, 1959). Thus under shareholder democracy the governed have no say in choosing their governors nor are the governors responsible to the governed. In short, shareholder democracy is not democracy at all.

A second (and related) argument against enterprise democracy is that if it were established by law the shareholders would be disenfranchised and would as a result lose some of their property rights. In essence, so the argument goes, taking away the shareholders' right of ultimate control is tantamount to the expropriation of property without compensation. Because property rights are held to be a fundamental pillar of liberal democratic society the establishment of democracy in industry is argued to be destructive of basic institutions.

This argument, as Ellerman has recently demonstrated, is unsound (Ellerman, 1983). When capital and labour meet the party which will assume the role of hirer or hiree is indeterminate. In practice capital almost always hires labour but labour may - without upsetting the premises of property rights theory - hire capital. To achieve that end Ellerman proposes "reversal contracts" under which employees of a corporation could "form another properly structured self-managed firm which could then borrow the money to purchase or lease the requisite capital goods from the remaining shell of the old capitalist corporation" (p. 275). The reason why capital usually hires labour is because "the holders of capital have traditionally held the power to make the hiring contract in their favor." (p. 270)

More fundamentally than Ellerman's argument, (which is constrained by legal-economic thought) the idea that the right to control human organization should be vested in the owners of capital is a vestige of 19th century social relationships. For much of the period between the 18th and mid-20th century, western nations were "landowners' democracies" and the state was considered to be the agent of landowners' interests (see, Atiyah, 1979, Therborn, 1977). But the right to rule nations no longer adheres to landownership. The only justification for property owners continuing to enjoy the right to rule organizational politics would seem to be that it has always been that way. The custom is entirely inconsistent with the contemporary principle that governors should be responsible to the governed.

A third argument is that self-governed enterprises might be substantially less efficient and effective than the weakly constitutional autocracies which now exist. In the best interests of society as a whole it is just as necessary to have an autocratic business sector as it is to have an autocratic military. A version of this argument is commonly made by business managers each time a new constraint on their power to decide is contemplated. For a short period after the collapse of feudal institutions such as urban guilds and rural custom and practice, managers and entrepreneurs had almost complete freedom from regulation and control. Since then they have vigorously opposed in turn the emergence of unions, factory laws, various social insurance schemes, and most recently proposals in Britain, Sweden and West Germany to increase employee participation in enterprise decision making.⁴ A major reason which they typically have put forth in opposition to movement away from autocracy towards democracy is that the new constraints will make it increasingly difficult for them to carry out their primary societal function of organizing and directing

production in an efficient and effective manner. However, research on the impact of increased employee rights and participation does not generally support their allegations. Instead increased participation, according to one recent review, "rarely leads to a decline in productivity" far more often it either has no effect or results in an increase in productivity." (Dahl, 1984, p. 60). The one major experiment in employee democracy on a national basis - Yugoslavia - is generally considered to be an economic success. After reviewing the impact of legal constraints on management Lindblom concluded that, "businessmen have commonly demanded of government more indulgences than are actually necessary to motivate their required performances. As some of these indulgences have been taken away, their performance has not faltered." (p. 177).

The negative productivity arguments made by management against democracy are very reminiscent of the arguments offered against political democracy. Anti-democrats argued that democracy would produce chaos and a deterioration in the quality of life for the society as a whole. In practice prosperity and democracy have advanced together. At the level of the state today there is no discussion of tradeoffs between democracy and economic efficiency. The very idea that one might give away democracy in exchange for greater economic performance is repugnant. The objective is the achievement of the highest economic performance within the context of democracy. There is no obvious or convincing reason why a similar objective could not be set at the enterprise level.

Among management theorists there is widespread agreement that managers of large, modern corporations should take into consideration the interests of all constituents of the enterprise. For the most part, however, the theorists do not propose that formal procedures be implemented in order to

ensure that end. Proposals that representatives of various constituency groups be awarded seats on corporate boards of directors have generally been rejected both by supporters of enterprise autocracy and by supporters of enterprise democracy (see e.g. Baldwin, 1984, Ellerman, 1983). The former argue that special interest groups will not be able to take a broad view of the interests of the enterprise as a whole and the latter argue that it would be difficult to identify clearly some of the constituencies and that, at any rate, none of them have a stake in the enterprise so fundamental as that of the employees. Despite such allegations in some countries quasi-public institutions such as hospitals and universities seem to operate effectively with multi-constituency governing boards (see e.g. Weiler, 1980).

A fifth and widely held basis for opposing enterprise democracy is that no convincing case for reform has been made (see Eisenberg, 1976; Simon, 1983). Proponents of this view argue that contemporary schemes do permit multiple stakeholders to influence managerial decisions. Shareholders may make use of their property rights if they see fit to do so. Employees may form unions or participate in relevant decisions through works councils or board representation where such schemes are in effect; consumers and environmentalists may form associations and cajole the government to intervene. Moreover, the operation of product, capital and labour markets place constraints upon management to behave in a manner consistent with the interests of consumers, shareholders and workers respectively.

There are at least two problems with this defence. First, there is a considerable amount of evidence which suggests that current institutions do not provide entirely satisfactory checks on managerial decision making. During the past decade or so many well publicized incidents of consumer,

shareholder and employee complaints against unilateral management decisions have come to light (see Baldwin, 1984; Nader, 1984). The most extensive study of employee participation in the liberal democratic world concluded that employees have little influence on most managerial decisions. Even in countries such as Sweden and West Germany, which are considered to have advanced employee participation schemes, employees have only a modest capacity to influence the making of enterprise policy (IDE, 1981).

A second problem with the defence is that it proceeds from the legal-economic status quo and in doing so undervalues democratic decision making. It looks at the issue from the perspective of the autocrat and says: "Why change?" instead of looking at it from the democratic point of view and saying: "Why not democracy?"

Why The Discontinuity?

My conclusion from this brief review is that the justifications for the virtual absence of democracy in industry are - from the perspective of the democrat at least - unconvincing. Why then is the present situation accepted by societies which highly value democracy in the abstract?

A major reason, it seems to me, is because of the key role played by business managers in market societies. A great deal of reliance is placed upon the professional skills of management to effectively organize and direct production and distribution. Managerial and entrepreneurial ability is a resource which is scarce in the world (Harbison & Myers, 1959). The high standard of living in the advanced, market countries is largely dependent upon the willingness of business managers to effectively use their skills. As a result government (responsible to the public for economic

performance) tends to coddle management - to give businessmen a great deal of what they want (Lindblom, 1977). One thing which managers apparently want is power. The evidence seems to suggest that they do not need as much power as they claim to need in order to produce effectively - but they want it nonetheless. Power, it seems, has high intrinsic value.

The contemporary disparity between state and enterprise governance can be interpreted to be the result of a deal between management and the state acquiesced in by society as a whole. Society accepts quasi-dictatorial management as a price it must pay in order to have management exercise its valuable talents on behalf of society as a whole.

This deal, although real enough, is not widely understood, in large part because of the nonavailability of political imagery with which to assess it. A combination of legal and economic concepts dominate public discussion of employment relations. Terminology such as "industrial democracy" is often considered to be hyperbolic. Democracy is considered to be no more than a romantic metaphor applied to an essentially economic phenomenon.

National governments which practice dictatorship and cling to dictation despite formal adherence to democratic values are regularly reviled in the press. However, when corporations move towards dictatorship (such as those in the U.S. which are now in the process of throwing off even the mild form of constitutionalism embodied in collective bargaining) protest is muted. Such developments are commonly assessed against economic instead of political criteria. Management is not considered to be fleeing from its political responsibilities. It is simply making strategic economic decisions (see Kochan, et. al., 1984).

Conclusion

Because legal-economic imagery dominates both research and public discussion of employment relations, it is difficult to think seriously of the enterprise as a political system subject to evaluation against political criteria. A careful reading of the literature on industrial democracy indicates that political imagery is often applied to industry metaphorically rather than in earnest. Rarely is the enterprise seriously held up against the political standards normally applied to the state.

I have tried to demonstrate here, however, that state and enterprise may be credibly and usefully analyzed using similar analytic tools. The equation is not of course perfect but the governance of enterprise is at least as like state governance as are labour markets like money markets or as are employment contracts like commercial contracts.

It is an accident of intellectual history that legal scholars and economists instead of political theorists effectively staked their claim to primacy in the analysis of employment relations. It is happenstance, not immutable reality, that has given us a legal-economic vocabulary instead of a political lexicon with which to describe and evaluate employment relations. Had a major political theory of employment relations been published early in the 19th century, market terminology might today appear to us to be contrived, exaggerated, metaphorical at best when applied to labour-management relations.

From a political perspective, the role of management in liberal democratic society is twofold. First it has the professional, technical task of organizing and operating the economic machinery of society. For taking on that task competent business managers are accorded status, wealth and power. As a necessary consequence of taking on those duties, management

must also take on the role of governor of an enterprise polity. It cannot escape from the necessity to make and administer rules with respect to members of that polity. Because it assumes a political character it may be and should be assessed against political criteria.

Governments under liberal democracy are evaluated against democratic principles. When managements are so evaluated one finds that in general they are anti-democratic. Since power has intrinsic value, that opposition should not be surprising. The fault with the contemporary disparity between enterprise and state governance does not lie, it seems to me, entirely on the shoulders of management. Part of the blame must be attributed to society as a whole and to the intellectual community. Society has not vigorously demanded that managers live up to democratic principles and intellectuals have not properly equipped society with the wherewithal to see the necessity of doing so.

Notes

1. A recent example is the case of People Express Airlines in the U.S. Begun as a model of employee participation, each employee was referred to as a manager and was provided with shares and therefore a right to participate in profits. In recent years, however, performance of the firm has been slipping and therefore (according to the New York Times, March 7, 1986), its president and initiator of the participation scheme has been behaving increasingly "autocratic".
2. For a more extensive discussion of the differences between countries, see Bean, 1985.
3. The large corporations in Japan may be another partial exception. The governors are not elected by the governed but to a much greater degree than in the West the governors behave as if they are responsible to the governed. Decisions are commonly taken which are designed to maximize the welfare of the entire corps of regular employees rather than the welfare of top management or of the shareholders. Nor is this decision pattern entirely benevolent as it is sometimes characterized as being. Instead, the pattern is one result of extensive labour-management conflicts which took place in the 1940's and again in the 1960's. It would be very difficult for management to withdraw unilaterally from it (see Weiler, 1986).

4. On recent employer policy in Britain, Sweden and Germany see Gladstone and Windmuller, 1984 and Juris, et. al. 1985. For a discussion of employer reaction and strategy regarding trade unions see Adams, 1981. It is not entirely true as some observers have suggested that progression has been from total employer freedom to decide to increasing constraint (see Stewart, 1963). Medieval industrial relations in Europe are probably best characterized as constitutional. Urban masters were constrained by guild rules and rural lords were held back by the strength of custom and practice. Unconstrained industrial autocracy developed as a result of the industrial revolution which destroyed previously existing customs and institutions (see Bendix, 1963).

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