How Employers Rule Our Lives

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Iain McKay reviewed this book in ASR 73. Here, as an online bonus to ASR 78, we present a review essay by Ridhiman Balaji. [Originally posted December 2019; revised June 2020]

Elizabeth Anderson, **Private Government: How Employers Rule Our Lives (and Why We Don't Talk about It).** Princeton: Princeton University Press, 2017.

> "Private government is government that has arbitrary, unaccountable power over those it governs…"
>
> — Elizabeth Anderson

In *Private Government,* Elizabeth Anderson asks whether it's appropriate to equate "freedom" with private enterprise. Like many Americans, Anderson argues that "Libertarians" misinterpret the nature of liberty and erroneously advocate for employees to cede all of their rights to employers, except those specifically reserved to them by law. Thus, for Anderson, the underlying ideology of neoliberal capitalism fails to uphold its own core claim to freedom.

Perhaps the most striking feature of capitalism is its reproduction of the Master-Servant relationship in the sphere of production. There exists a strict hierarchy in most work environments, where the managers of a firm exercise power, authority and influence over their workers. From an economic standpoint, the role of the firm is to use raw materials, including labor, as well as other commodities (inputs), in order to produce final products (outputs). But the firm is also a social institution, a place where humans come together and interact with each other for a common purpose. It is in this environment that those who work in the firm adopt their institutional roles as managers, subordinates and owners. In *Private Government,* Elizabeth Anderson explores how employers use the firm to control and dominate employees.

The structure of the book is divided into two lectures, followed by responses by four authors. Anderson begins by tracking the intellectual history of the free-market doctrine, initially as an egalitarian ideology, its downfall during the Industrial Revolution, culminating in the emergence of what she calls "Private Government." Anderson then describes the contradictory nature of how those in a position of authority, with respect to the internal structure of the firm, call for freedom external to the firm, such as in our private lives, yet overlook how managers themselves subordinate workers. What follows are comments by four different authors: Ann Hughes, David Bromwich, Niko Kolodny, and Tyler Cowen. The book ends with a reply by Anderson, where she responds to their points. The book is directed towards a mass audience, particularly those interested in employment law, political philosophy and workplace democracy.

This review essay is both a supplement to and a critique of *Private Government.* I start by supplementing Anderson's analysis of Adam Smith by looking at his relationship to Physiocracy, an 18th century school of economic thought originating in France. I then dicuss how Anderson's overall argument can be augmented by using Marx's perspective of the capitalist production process.

Adam Smith vs The Laissez-Faire Doctrine

Anderson begins her first lecture by tracking the intellectual history of the free-market ideology, what she calls "free-market egalitarianism." She argues that "the left," which she defines as "egalitarian thinkers and participants in egalitarian social movements," were, at first, proponents of this free-market ideology. Anderson writes, “To be an egalitarian is to commend and promote a society in which its members interact as equals. This vague idea gets its shape by contrast with social hierarchy, the object of egalitarian critique.” Her analysis begins by contrasting the views of Adam Smith with those of Karl Marx. Smith suggests that a party undertaking an exchange in a market economy must necessarily address the interests of the other party. Thus, in Smith’s view, market interactions occur among “free” and “equal” entities. Marx, like all socialists, rejects this view as superficial. Marx suggests that there exists a fundamental asymmetry in power relations, where the capitalist has no incentive to pay any attention to the interests of the employee, yet the employee is coerced to pay attention to the interests of the capitalist, vis a vis the capitalist’s rate of profit.

It might strike some readers as unusual to regard Smith as a “leftist egalitarian,” given the misinformation which is pervasive in U.S political discourse. Recall that the Laissez-Faire doctrine emerged with the rise of a group of 18th-century French economists known as the Physiocrats. The two main proponents of Physiocracy were François Quesnay (1694–1774) and Anne Robert Jacques Turgot (1727–1781). Unfortunately, discussion of the rise of Physiocracy, as well as the ideas of Quesnay and Turgot, are missing from Anderson’s analysis. Hence, I will take a brief moment to go over the ideas and economic theories of the Physiocrats, due to the significant influence they had on Adam Smith and David Ricardo.

Economic Historian E. K. Hunt describes the Physiocrats in Chapter 2 of his *History of Economic Thought* as follows:

> The Physiocrats were interested in reforming France, which was experiencing economic and social disorder caused primarily from a motley combination of many of the worst features of feudalism and merchant capitalism. Taxation was disorderly, inefficient, oppressive, and unjust. Agriculture still used feudal technology, was small-scale and inefficient, and remained a source of feudal power that inhibited the advance of capitalism. The government was responsible for an extraordinarily extensive and complex maze of tariffs, restrictions, subsidies, and privileges in the areas of industry and commerce. The results were the social and economic chaos that culminated in the French Revolution.
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> The Physiocrats believed that societies were governed by natural law and that France’s problems were due to the failure of her rulers to understand this natural law, and to order production and commerce accordingly. Quesnay developed a simple model of how a society should be structured in order to reflect natural law, and, on the basis of this model, the Physiocrats advocated political reform: the abolition of guilds and the removal of all existing tariffs, taxes, subsidies, restrictions, and regulations that hindered industry and commerce.

They proposed substituting large-scale, capitalist agriculture for the inefficient small-scale farming that prevailed. But the proposed reform for which they are most remembered was the recommendation that all government revenue be raised with a single, nationwide tax on agriculture.

Thus, we can see how the Physiocrats’ call for the abolition of guilds, tariffs, taxes, subsidies and other regulations relating to business and commerce, made them the forbearers of the modern economic doctrine of Laissez-Faire. In fact, it was the Physiocrats themselves, in particular, Jacques Vincent de Gournay, a disciple of Quesnay, who coined the phrase Laissez-Faire et Laissez-passer.

Book IV of *The Wealth of Nations* is devoted entirely to analyzing various systems of political economy. Smith devotes 8 out of the 9 chapters in Book IV to analyzing Mercantilism as a system of political economy. The last chapter, Chapter 9, is devoted to analyzing Physiocracy. If one reads Chapter 9 selectively, and out of context, it might seem like Smith is praising Physiocracy (and therefore Laissez-Faire) as "the best" system of political economy. However, this is an illusion. Although Smith initially praises Physiocracy as an "ingenious system," Smith goes on to present a fairly sophisticated critique of the Physiocrats on the basis of differences in methodological conceptions of Natural Law, and by demarcating labor into productive and unproductive labor.

Jeffrey Young suggests that the main reason why Smith opposed the Physiocratic doctrine stems from the fact that Smith was an empiricist, who believe that human agents learn from experience. Young writes,

> For Smith, knowledge of the natural, whether in physical or moral philosophy, derives from experience. As such it is always imperfect, yet tending over time toward improvement. Systems of natural jurisprudence are possible if we examine the general principles which systems of positive law have in common. These principles, once discovered, can be used to reform the imperfections in existing systems that have arisen either because they are lagging behind the natural process of development and /or because accidents of history have left in place laws and constitutions that no longer serve their purpose, or that have simply warped the positive law.

By contrast, Young argues that Quesnay was a rationalist, who believed that humans gain knowledge and learn concepts independently of experience. Quesnay believed that there exists some imaginary and immutable 'Natural Order,' presumably most beneficial to society, from which human-made law has diverged. Ronald Meek, perhaps the most rigorous scholar of the Physiocrats, translated excerpts of Quesnay's philosophical writings that provide valuable insights into Quesnay's metaphysics. Quesnay writes,

> The host of contradictory and absurd laws which nations have successively adopted proves clearly that positive laws are often apt to deviate from the immutable rules of justice and of the natural order which is most advantageous to society.

Quesnay goes on to say:

> We have seen that even in the state of pure nature or of complete independence men enjoy their natural right to the things they need only through labour, i.e. through the endeavours necessary to obtain them. Thus the right of everybody to everything is reduced to the share which each of them can procure for himself, whether they live by hunting, or by fishing, or on the natural produce of the earth. But in order to carry on these endeavours, and to succeed in them, they must possess those bodily and mental faculties, together with those means and instruments, which are necessary to enable them to act and to succeed in satisfying their needs. The enjoyment of their natural right must be extremely limited in this state of pure nature and independence,

> in which we are assuming that there is as yet no cooperation for purposes of mutual aid among them, and in which the strong are able to use violence unjustly against the weak. When they enter into society, and come to agreements among themselves for their mutual advantage, they thereby increase the enjoyment of their natural right; and they also assure for themselves the full extent of this enjoyment, if the constitution of the society conforms to the order which is self-evidently the most advantageous to men, with respect to the fundamental laws of their natural rights.

Thus, we can see that the root of the dispute between Smith and Quesnay lies in the fact Smith pursued scientific inquiry using a fundamentally different methodological framework of Natural Law compared to Quesnay. Given Smith's drastically different views of Natural Law, if we further examine Smith's analysis of the Physiocratic economic doctrine, we see that the Smith's metaphysics, inspired by the likes of Francis Hutcheson, as well as David Hume (Smith's teacher), greatly influenced his critique. Recall, one of the main tenets of the Physiocratic economic thought, is that all government revenue be raised with a single, nationwide tax on agriculture. Quesnay's *Tableau économique* contains a model which shows the processes of production, circulation of money and commodities, and the distribution of income. The model assumes that production takes place in yearly cycles and that everything produced in one year is either consumed in that year or becomes the necessary inputs for the next year's production.

The focus of Quesnay's model is on agriculture, particularly the agricultural class, such as cultivators, who are assumed to retain excess output from last period, which is then paid to the landlord class as 'rent,' i.e. payment for a factor of production in excess of the costs used to bring that factor into production. For this reason, there exists a surplus in Quesnay's *Tableau économique* that is appropriated by the agricultural class. Furthermore, the Physiocrats saw this surplus as a gift of nature and believed that only in dealing directly with nature in extractive or agricultural production, could human labor produce a surplus. Thus, Quesnay and the Physiocrats regarded the agricultural class as the sole "productive" class, hence Quesnay's advocacy for a nationwide tax on agriculture. In Quesnay's model, no surplus or profits were thought to have originated in the manufacturing sector.

Smith disputed the notion that labor used up in the manufacturing sector was "sterile," or unproductive. Smith believed that "productive" labor was the labor that furthered the accumulation of capital. For Smith, the level of production in any society depends crucially on productive labor and the level of their productivity. However, for Smith productivity was in turn determined by the degree of specialization with respect to labor, that is, the extent to which there existed "Division of Labour" in a society.

Discussion surrounding Smith's notion of "Division of Labour" has been confusing, polarizing and ideologically-driven. The late E.G West (1922–2001), in his 1964 paper, "Adam Smith's Two Views on the Division of Labour," illustrates the contradictory views of Smith with respect to the *Wealth of Nations.* Not many are aware for instance that Adam Smith in Book V of *Wealth of Nations,* denounced the division of labor. It is true that in Book I of *The Wealth of Nations* Smith says that without division of labor the worker will become "slothful and lazy":

> A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work he is seldom very keen and hearty; his mind, as they say, does not go to it, and for some time he rather trifles than applies to

> good purpose. The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life, renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions.

However, in Book V of *The Wealth of Nations,* Smith condemns the process of division of labor, and suggests that the process itself will lead to the worker becoming "stupid and ignorant":

> In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations, frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects are perhaps always the same, or very nearly the same, has no occasion to exert his understanding or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life.

Hence, we can see that Smith's attitude towards division of labor, a tenet taken to be sacred among capitalist ideologues, is far more complex. Anderson rightly portrays Smith as an egalitarian social philosopher, contrary to the preconceived notions of some "libertarian" philosophers who might be of the erroneous belief that Adam Smith was a proponent of the economic doctrine of Laissez-faire.

Coase, Demsetz, and Economic Theory as a Red Herring

In science, the term 'paradigm' is often used to distinguish various theories and methodological perspectives of a particular object of scientific inquiry. Thus, Newtonian physics, and Einsteinian physics constitute two separate and discordant paradigms, which provide two alternative perspectives on topics such as gravity, space, and time. In other words, the world view we use to examine a particular phenomenon drastically alters our findings. Echoing this view, Anderson argues that

> ideologies mask problematic features of our world, or cast those features in a misleadingly positive light, or lack the normative concepts needed to identify what is problematic about them, or misrepresent the space of possibilities so as to obscure better options, the means to realizing them, or their merits.

She goes on to say,

> If it misses only relatively small, random, and idiosyncratic features, we should not condemn it. When these features are structurally embedded in the social world, so as to systematically undermine the interests of identifiable groups of people in serious or gratuitous ways, we need to revise our model to attend to them and identify means to change them. This is harder to do when the interests of those who dominate public discourse are already served by the dominant ideology.

The “ideology” that Anderson is criticizing in her two lectures is one that’s ill-defined, and changing over time. One might refer to this ideology as “liberalism,” or “classical liberalism,” but the focus of Anderson’s analysis is not the tenets of this “ideology” but rather the way in which this ideology “misrepresents the situation of workers in the economy, and that is thereby unable either to appreciate their complaints or to generate and properly evaluate possible remedies.”

Anderson suggests that the Industrial Revolution (1760–1840) radically changed the way egalitarians assess the ideal “free society” with respect to a market economy.

She then examines the English Civil War (1642–51), particularly the emergence of the Levellers, a political movement seeking to realize egalitarian goals near the end of the English Civil War. Anderson writes, “Notwithstanding their name, given to them by Cromwell, who feared that democratization threatened a mass redistribution of property, the Levellers were also firm defenders of the rights of private property and free trade.”

By contrast, attitudes towards the end of the Industrial Revolution shifted drastically, as Anderson writes:

> Preindustrial labor radicals, viewing the vast degradation of autonomy, esteem, and standing entailed by the new productive order in comparison with artisan status, called it wage slavery.
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> Liberals called it free labor. The difference in perspective lay at the very point Marx highlighted. If one looks only at the conditions of entry into the labor contract and exit out of it, workers appear to meet their employers on terms of freedom and equality. That was what the liberal view stressed. But if one looks at the actual conditions experienced in the workers’ fulfilling the contract, the workers stand in a relation of profound subordination to their employer. That was what the labor radicals stressed.

In her second lecture, Anderson correctly argues that “Advocates of Laissez Faire, who blithely applied the earlier arguments for market society to a social context that brought about the very opposite of the effects that were predicted and celebrated by their predecessors, failed to recognize that the older arguments no longer applied.” Hence, this paved the way for a “symbiotic relationship between libertarianism and authoritarianism that blights our political discourse to this day.” Anderson suggests that “Private government is government that has arbitrary, unaccountable power over those it governs,” and that in many of these governments “the governed are kept out of decision-making as well.”

Anderson accurately points out that “Legally speaking, employers have always been authoritarian rulers, as an extension of their patriarchal rights to govern their households.” Anderson identifies the “Theory of the Firm,” developed by Ronald Coase of the Chicago School for rationalizing hierarchical relations, at an ideological level, in relation to contemporary non-democratic firms.

The origins and evolution of "Theory of the Firm" is not studied in great detail in most graduate or undergraduate economics classrooms. Ronald Coase's "Theory of the Firm" is often conflated with Alfred Marshall's "Theory of the Firm," the latter in relation to so-called "Classical Demand Theory" which is in fact studied extensively in most higher-level microeconomics classrooms. The latter is not what's being discussed by Anderson.

Anderson discusses the work of Ronald Coase (1920–2013) of the Chicago school, not Alfred Marshall (1842–1924), a potential source of confusion worth clarifying for non-economists. Furthermore, Coase's "Theory of the Firm," is also conflated with the Coase Theorem. Coase developed his "Theory of the Firm" in a 1937 paper titled, "The Nature of the Firm," whereas the Coase Theorem was developed by Coase in his 1960 paper, "The Problem of Social Cost." In contrast to Coase's "Theory of the Firm," the Coase theorem is studied extensively in various sub-disciplines of economics such as Environmental Economics, Health Economics, and Public Economics.

Coase's "Theory of the Firm" looks at the question of why people organize their economic activity in a firm, as opposed to conducting them in a series of "one-off" transactions, or in some other manner. The theory identifies "transaction costs," such as search and information costs, bargaining costs, and trade secrets as reasons why people might organize themselves into a firm. The theory also looks at law and legal institutions as facilitating the creation of firms. In his own words, Coase writes

> The main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism. The most obvious cost of "organizing" production through the price mechanism is that of discovering what the relevant prices are. This cost may be reduced but it will not be eliminated by the emergence of specialists who will sell this information. The costs of negotiating and concluding a separate contract for each exchange transaction which takes place on a market must also be taken into account.

Coase goes on to say,

> It is true that contracts are not eliminated when there is a firm, but they are greatly reduced. A factor of production (or the owner thereof) does not have to make a series of contracts with the factors with whom he is cooperating within the firm, as would be necessary, of course, if this cooperation were a direct result of the working of the price mechanism. For this series of contracts is substituted one.

Anderson rightly chastises Coase's "Theory of the Firm" for establishing an "ideological blinder," used to justify hierarchical relations within the workplace. Anderson argues that Coase "fails to explain the sweeping scope of authority that employers have over workers." Anderson contrasts the operations of a vertically integrated firm with that of a non-vertically integrated firm. In a non-vertically integrated firm, that is, a firm that uses multiple independent contractors during its various stages of production, the firm incurs "excessive costs of contracting between the suppliers and the factors of production," leading to "bilateral monopolies" and "opportunistic negotiations." Within the framework of the Theory of the Firm, "the demand to periodically renegotiate rates [lead] contractors to hoard information and delay innovation for strategic reasons." By contrast, the vertically integrated firm "[replaces] contractual relations among workers, and between workers and owners of other factors of production, with centralized authority," enabling "close coordination of different workers." as well as the "[internalization] of the benefits of all types of innovation within the firm as a whole."

Anderson then continues her analysis of how modern economic theory, motivated by a composite ideology of Libertarianism and Authoritarianism, provides ideological justification for hierarchical relations within the workplace, by looking at some papers within the sub-discipline of economics known as Managerial Economics. She begins by examining a 1972 paper by economists Armen Alchian and Harold Demsetz called "Production, Information Costs, and Economic Organization," published in the *American Economics Review.* The paper extends the "insights" of Coase (1937) by assessing the role of joint production, team organization, measuring ("metering") and controlling output, as well as the problem of "shirking," that is, avoiding one's duties and responsibilities in the workplace.

Armen Alchian (1914–2013), and Harold Demsetz (1930–2019) were economists who fell into the economic school of thought known as the Chicago School, a neoclassical school of thought advocating "free-markets" and minimal government intervention in the economy. In terms of their ideology, both adhered to the political philosophy known as "Libertarianism." Of course, readers familiar with the anarchist tradition are aware that Libertarianism was originally an anti-state, and anti-authoriatarian political philosophy which originated in socialist circles in Europe. The late Joseph Déjacque, an Anarcho-Communist, coined the phrase "Libertarian" in a letter to anarchist Pierre-Joseph Proudhon titled "De l'être-humain mâle et femelle," criticizing Proudhon for his sexist views. The modern American variant of "Libertarianism" has little, some would say no, relation to this original sense of the term.

Both Alchian and Demsetz have written extensively on the topics of Information, Transaction Costs, Property Rights, and the Theory of the Firm. Both are regarded highly by the economics discipline for their contributions to the sub-discipline within economics known as Managerial Economics, as well as Law and Economics. The particular paper that Anderson examines by the two authors is an interesting choice. In their 1972 paper, Alchian and Desetz dispute the notion that a firm exercises any power or authority, since one can "punish the firm by withholding business or by seeking redress in the courts for any failure to honour our exchange agreement." The essence of the "argument" being made by Alchian and Demsetz is contingent on voluntariness, that is informed consent of the individual free of external intrusion by other individuals and the state. The apparent argument here is that there is no authority being exercised, since employees voluntarily enter and exit the "employment contract" at any moment. Anderson rightly berates this rationalization, suggesting that "This is like saying that Mussolini was not a dictator, because Italians could emigrate. While emigration rights may give governors an interest in voluntarily restraining their power, such rights hardly dissolve it."

Alchian and Demsetz invoke the problem of "metering," measuring and controlling output according to productivity. Alchian and Demsetz argue that organizing economic activity through a firm reduces the cost of "shirking," the tendency of workers to do less work and put in less effort while working. They write,

> If detecting [shirking] were costless, neither party would have an incentive to shirk, because neither could impose the cost of his shirking on the other (if their cooperation was agreed to voluntarily). But since costs must be incurred to monitor each other, each input owner will have more incentive to shirk when he works as part of

> a team, than if his performance could be monitored easily or if he did not work as a team. If there is a net increase in productivity available by team production, net of the metering cost associated with disciplining the team, then team production will be relied upon rather than a multitude of bilateral exchange of separable individual outputs.

They go on to ask,

> What forms of organizing team production will lower the cost of detecting "performance" (i.e., marginal productivity) and bring personally realized rates of substitution closer to true rates of substitution? Market competition, in principle, could monitor some team production.

They conclude, "One method of reducing shirking is for someone to specialize as a monitor to check the input performance of team members." The paper goes on to justify the need for an ultimate "monitor of monitors," the so-called "residual claimant," an economic agent who imposes constraints on the various monitors of a firm and appropriates the net cash flow once all other claims against the firm's assets have been satisfied. Here, we can see how the theoretical tools which economists use to examine the capitalist production process changed drastically since the time of Adam Smith. For these "Libertarians," perhaps better called Propertarians, workers are simply inputs in a production process, whose labor performed is to be measured the same way as any other machine. Furthermore, we can also see how a particular theory, in this case the Theory of the Firm, changes the way we examine economic phenomena. "Libertarians" like Alchian and Demsetz formulate their beliefs on the basis of very different ontological presuppositions about the nature of the capitalist production process.

Tyler Cowen's response is perhaps the most striking, illustrative of the ideological insulation of hard-line "libertarians" and Laissez-Faire ideologues of capitalism. Cowen essentially parrots Alchian and Demsetz (1972) and suggests that the authoritarian nature of modern firms is a non-issue. "I don't worry so much about the dictatorial power of companies if the costs of worker exit are relatively low." Cowen then contradicts himself a few pages later and says "I readily grant the costs of exiting many jobs are too high," giving health insurance, retirement benefits, and immigration status as examples of why the costs to an employee for exiting a firm are high.

On Anderson's four recommendations to protect and enhance liberty in the workplace

Anderson's analysis in *Private Government* is concerned with a particular form of egalitarianism, known as Relational Egalitarianism, often contrasted with Luck Egalitarianism. Relational Egalitarians argue for a focus on the egalitarian nature of social relations, whereas Luck Egalitarians argue that the focus of egalitarian justice should be on the equal distribution of particular goods. It is in this context of Relational Egalitarian thought that Anderson examines how public institutions such as governments make themselves accountable to the public, and promotes four ways to advance freedom and democracy in the workplace: exit, rule of law constraints on employers, constitutional rights, and voice.

Like the government, Anderson argues that the right of individuals to exit a private firm should be upheld, the same way a "democratic" government upholds the right of individuals to exit a country. Anderson argues that "exit rights put pressure on governments to offer their subjects better deals." Anderson goes on to say, "While employers can no longer hold workers in bondage, they can imprison workers' human capital," giving the example of California, which prohibits non-compete clauses. Regarding "rule of law," Anderson suggests that, like the state, the workplace should also embolden legal, intra-firm methods of resolving complaints, where managers exercise discretionary authority in accordance with centralized objectives. Anderson supports the establishment of a "workplace constitution," akin to a country's constitution or the Bill of Rights, which would explicitly demarcate the various protections workers are entitled to, as well as protect workers from harassment and abuse. Finally, similar to how the citizens of a country are able to voice their discontent and their opinions with respect to public policy, Anderson suggests that workers should also be able to voice their discontent with respect to a particular firm's operational decisions.

Anderson writes that in the U.S. unions organize at the level of the firm, rather than at the level of the industry. She contrasts this with the German Codetermination model, re-installed by the Allies in the 1950s after the defeat of the Nazis, as part of a wider strategy of denazification. The German codetermination model allows both labor and labor unions to participate in the management process by democratically electing almost half (depending on the type of firm and the particular industry) of a company's board of directors.

Though important reforms in their own right, Anderson's four recommendations are rooted in the neoclassical perspective of the capitalist production process. This perspective divides economic units into "households" and "firms." In neoclassical theory, the concept of "class" is not regarded as a useful tool of analysis. By contrast, classical political economy, which builds on the work of Smith, Ricardo and Marx, generally divides capitalism into three classes – Landlords, Capitalists, and Laborers/Workers – which are then used to examine the system of capitalism as a whole. Although Anderson's objective is to demonstrate how the "libertarian" ideology which underwrites neoliberal capitalism fails on its own terms , her demonstration can be complemented by examining capitalist private property relationships.

As Marx argued, under capitalism capitalists have the exclusive right to derive use-value from labor-power. Workers, by virtue of their class position, simply cannot derive use-value from labor-power. Thus, we can see how Marx's analysis of private property relationships can be useful in illuminating disparities with respect to the types of benefits one derives from private property.

Furthermore, Anderson's four recommendations presume that the ideal firm ought to be modeled after the liberal-democratic normative ideal of the state. This is problematic because the state, as it is constituted, is in many ways an unjust and oppressive institution. Not only does the state give legal status to oppressive institutions, such as the exploitative arrangement between capitalists and workers, it also provides a coercive security apparatus that enforces such relationships. Anderson's suggestion that, "a market society, with appropriate reforms, could liberate workers," is also problematic since the underlying premise presupposes that markets are just institutions. Anarchists argue that market-centric institutions like the price system ought to be abolished, and that we should instead organize the provision of goods around needs, as opposed to ability to pay.

Concluding remarks

Anderson makes a convincing argument that “freedom” simply cannot be associated with private governments. Anderson’s analysis of pre-industrial egalitarian social thought, beginning with the rise of the Levellers during the First English Civil War, provides a detailed picture into how the demand for private property and free trade emerged as a protest against the primacy of the Church of England in social affairs. Anderson also does a good job of arguing that the Industrial Revolution drastically changed egalitarian social thought through her examination of Adam Smith and Karl Marx. Anderson also makes a strong case that Classical Liberalism has been appropriated by proponents of the Laissez-Faire doctrine, giving rise to a synthesis of libertarianism and authoritarianism, what Anderson calls *Private Government.*

Although Anderson does a good job of discussing the views of Adam Smith, she omits discussion of the role the 18th century French school of thought, Physiocracy, and the role it had on Adam Smith’s assessment of Laissez-Faire as an economic doctrine. Contrary to widespread misinformation, Adam Smith was not a proponent of Laissez-Faire. Furthermore, the four recommendations which Anderson advances, borrow and use the same theoretical tools as neoclassical economics. In Anderson’s perspective of the capitalist production process, there is no such thing as a “capitalist” or “worker” since the class of an individual is not specified. Neoclassical theory examines the production process using households and firms. The “libertarian” approach – that is, American-style “libertarianism” – better styled as propertarianism, has an even more narrow perspective, the employee-employer relationship. But neoclassical theory abstracts from power relations. Analyzing capitalism through households and firms systematically neglects the role of an individual’s relationship to private property, i.e. whether they are a capitalist or a worker. As an example, many CEOs are “employees” of a firm, however they are more than just employees, and enjoy a level of superiority and dominance in terms of social relations.

Moreover, Anderson’s four suggestions to reform the workplace – i.e. exit, rule of law constraints on employers, constitutional rights and voice – are modeled on the ideal democratic state. Anderson does not address the various ways in which the state enables hierarchical relations and unjust institutions. She simply assumes that the firm ought to be modeled after the liberal-democratic conception of the state, a problematic presupposition. By acknowledging the various ways in which the state legitimates systems of oppression, Anderson’s four suggestions can be further enhanced.

The strength of Anderson’s critique is in her explanation of how the Industrial Revolution drastically changed our perspective on the production process. She argues convincingly, that the Industrial Revolution dramatically altered the way egalitarians view hierarchical and authoritarian institutions. Anderson successfully argues that the libertarian conceptions of “freedom” and “liberty” call for subordination to private enterprises, what she calls private governments. However, her critique and subsequent recommendations to enhance freedom in the workplace can be bolstered by taking into account the role of capitalist property relations, and by acknowledging the coercive role of the state.

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