CORPORATIONS ARE CAPITAL UNIONS, UNIONS ARE LABOR CORPORATIONS

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BACKGROUND

Labor republicanism (Gourevitch 2016, 2018)

- Workers subject to domination, have right to resist oppression, right to strike
- Right to strike as ability to claim job while unilaterally withdrawing labor

Contribution to normative political economy

- Political priority of relational concern (who gets to do what to whom?) over distributional concern (who gets what?)
- Moral priority of right to strike over economic liberties of employers, other parties

PROBLEMS

The argument is incomplete

A right to strike is functionally meaningless absent the institutional basis to exercise such a strike, i.e. unions and organized labor

The argument is question-begging

Unlikely to persuade those who reject political view of markets, labor

Even if correct it is not dispositive, i.e. while adding weight to scales, cannot adjudicate issue decisively if there are other valid concerns

CONCERNS

The economist critic (Friedman 1962; Grout 1984; Reynolds 1987; Kaufman 2004)

Unions cartelize labor, push wages above market-clearing levels, undermine competition, introduce inefficiencies, distort incentives, favor rent-seeking strategies, result in under-investment, under-employment

The libertarian critic (Friedman 1951; Hayek 1959; Baird 2000; Levine 2001)

Unions are government-backed institutions which substitute planning and coercion for employees' and employers' freedom of choice and contract

CHALLENGE

Defenders of unions need to take concerns seriously

- Cannot ignore efficiency or contractual freedoms of workers, employers

- Cannot be seen as giving into critics, as economic and libertarian criticisms somewhat overstated for ideological and political reasons (becomes clear when firms, business corporations considered)

Can one justify unions on same terms that critics stake their claims?

Argument: firms and unions ought to stand and fall together

SOME ECONOMICS OF UNIONS

Basic NIE of firms applies to unions, which

- Economize on transaction costs, have central contractual agent to reduce costs of inter-member and third party transactions (Coase 1937, 1988)
- Involve supersession of price mechanism, extension of hierarchy, planning (Williamson 1975; Demsetz 1988)
- Are coalitions reaping benefits of specialization (Alchian 1984; Demsetz 1995)
- Need institutional arrangements to mitigate contractual hazards (Klein, Crawford & Alchian 1978; Williamson 1979; Rajan & Zingales 2001)

MORE PRECISELY

Workers lease asset to firm, bear costs of accumulating firm-specific capital

Zero transaction-cost world: wage stream compensates time spent working + appropriate rate of return on worker's investment

Real world: worker bears cost only if opportunity for expropriation by others is mitigated

Under-investment, even if worker chooses not to exercise hold-up power

Unions monitor, enforce contractual arrangement on workers' behalf, absorb cost of specialization, allow workers to focus on human capital investments, address under-investment problem

ANALOGY WITH CORPORATION

Unions cartelize labor, corporations cartelize capital (Commons 1919)

- Socialized (financial, human) capital (Marx 1894)

Firms as cooperatives (Hansmann 1996, 2013)

- Business corporation as nonhuman capital cooperative, investor-members have shared right to residual income, residual control
- Union as human capital cooperative, worker-members have shared right to residual income, residual control

Both backed by court (standing) or state support (registration, incorporation)

ETHICAL CONSIDERATIONS

Corporations limit individual freedom in same way as unions (Reiff 2019)

- Employees subject to decisions of firm, ability to bargain limited, exit least-cost solution
- Shareholders subject to decision to firm, ability to bargain limited, exit least-cost solution

Unions strategies must abide by same CSR concerns

- Egalitarian, redistributive concerns do not give unions carte blanche

Like shareholder derivative suits, workers ought to be able to sue corporations