CORPORATIONS ARE CAPITAL UNIONS, UNIONS ARE LABOR CORPORATIONS

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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
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
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
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)
Corporations limit individual freedom in the 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**