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The Form of the Firm: A Normative Political Theory of the Corporation, Abraham Singer. Oxford University Press, 2019, xii + 296 pages.
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Firms are essentially hierarchical: Signing an employment contract means agreeing to accept someone else as one's boss. The theory of the firm aims to explain why, when being self-employed is an option, firms nonetheless persist. The answer is that hierarchy between workers and bosses, of the sort absent from a market of freelance workers, turns out to aid productivity. There is much that can be said about how best to articulate this answer, and what sort of normative considerations become salient. It is welcome to see a book project taking this on.

Abraham Singer's book is comprehensive, original, and overall a highly impressive articulation of how political philosophy, legal theory, and economics intersect when it comes to our understanding and evaluation of firms. I expect it to become a valued and influential resource for political philosophers working on the nature of employment or the variety of proximate topics also covered by this book.

With some exceptions, political philosophers have made little effort to engage with the theory of the firm. This is unfortunate, since political philosophy has always been partly about evaluating hierarchical interpersonal relationships,

particularly when enabled by or embedded in the sorts of institutions that play a fairly central role in people's lives, such as workplaces. Surely, the theory of the firm can help with philosophers' efforts to work out which sorts of hierarchies are compatible with justice and which are not, as well as offering something about which sort of reforms might be the more feasible ones. Where recent political philosophy *does* engage with the theory of the firm, one tends to find scepticism about the prospects for using this body of work constructively. It has been suggested that 'the economic theory of the firm as a hierarchy violates the moral requirement to respect the autonomy of those who contract into the firm' (Lee 2018: 154). One prominent critic even describes the theory of the firm as an 'ideological blinder', used to obscure the significance of employer power that borders on the dictatorial (Anderson 2017: 48–61). While there's no doubt that some existing firms are unjustly hierarchical, one might suspect that a more constructive connection can be drawn here between the economics and the philosophy.

Political philosophy also has a longstanding preoccupation with labour markets as a site of injustice, in ways that bear heavily on the respective positions of workers, bosses and shareholders. And yet, to maintain these preoccupations without some theoretical apparatus for distinguishing labour markets broadly from employment (in firms) more narrowly, is likely to impoverish the work of philosophers to some extent. At a lower level of generality, philosophers often seek to say something about more focused questions: Should there be more worker cooperatives? How might different sorts of shareholders have different sorts of powers? Is the current legal understanding of a corporation a philosophically adequate one? Each of these more specific questions, along with many others, gets a treatment in Singer's book.

To the book itself: Singer describes it as an attempt to 'make the economic theories of the corporation legible and interesting to political theorists' in ways that 'contribute to our normative understanding of this institution ... toward a better and more just economic order' (19). Singer's way of executing this project divides the book's work into three parts. The first of these records the intellectual evolution of the theory of the firm, mainly through the influence of Ronald Coase's work in the early 20th century.¹ Famously, Coase drew attention to what he called 'transaction costs' (51): Whenever someone sells their labour to someone else, there are costs of bringing this about – costs associated with establishing communication, negotiating on price, and often dealing with unfamiliarity or even distrust.² Firms reduce these costs by employing workers on a prolonged basis so that their labour can be directed without the need for the costs of new contracting. The reduction of transaction costs is offset by the establishment of other costs associated with what is really centralized planning on a small scale (57–58). This helped Coase also explain why there is not simply one big firm that supplies all the goods and services

¹In particular, Coase (1937). Unlike much economics written more recently, Coase's paper is remarkably non-technical, and reads rather like a paper in political philosophy. This adds to the sense that political philosophers might have come to engage with the theory of the firm rather sooner than they have in fact.

²Note that the costs are not always financial, but sometimes psychological. A good recent treatment, and good complementary reading alongside Singer's book, is Munger (2018).

that exist: The size of a firm, and the range of outputs it produces, reflects the limits of firms' governance structures notwithstanding their capacity to lower transaction costs (70).

As Singer points out, Coase's ideas took some time to gain influence because of the perceived vagueness and imprecision associated with the idea of a transaction cost (60). Subsequent chapters detail the different ways in which later economists, or rather schools of economic thought, tried to make progress and add precision to Coase, giving rise to disagreement between different schools of thought within economics. This includes the Chicago School's contention that firms are really not hierarchical after all, and that all relationships between workers and bosses can be understood as market transactions (99). This contrasts with Managerialism, on which the control of bosses is taken more seriously, and makes more room for normative analysis beyond the Chicago School's contention that there is little to be said beyond a firm's duties to its shareholders.

These early chapters give a balanced and comprehensive impression of how Coase's ideas were developed in different directions by different economists. This is important not least because it indicates how philosophers' occasional appraisals of the theory of the firm, such as those I mentioned above, risk unduly privileging one of the various post-Coasian refinements as representative, rather than as a view with competitors.³ More than that, though, the book's first part is an exceptionally rich resource for any reader wishing to gain an impression of what has animated the theory of the firm for all these years, and repays a careful reading.

The relatively short second part (just two chapters) contains some important positive proposals. Chief among these is Singer's own account of how firms actually keep workers cooperating in productive ways. While it is true that firms often involve a certain amount of explicit direction of workers, they also rely on what Singer describes as local social norms within their body of employees. More evocatively, firms can aim to be 'bubbles of norm-oriented behavior' (124). Here, Singer seeks to balance the plausible claims that humans have some disposition towards being opportunistic and that markets will often crowd out a countervailing disposition towards cooperation (126–127). Firms get workers to be productive through what's sometimes called a 'corporate culture', whose purpose is to make up in some way for the market's tendency to encourage the pursuit of material benefit. In Singer's own words, 'the firm solves the problem of opportunism by making parties believe that the normative and empirical expectations of a social norm exist, thereby triggering their preference to follow that norm and cooperate'. The idea is that workers seek employment in the first place for material reward, at which point an opportunistic disposition may be dominant. What the firm does is then bring the worker under the influence of countervailing norms that restore a balance (132, 138). One might paraphrase Singer's proposal in this way: Firms exist because we come for the money but stay for the cooperation.

³Anderson (2017), for example, gives considerable prominence to Alchian & Demsetz (1972). For Singer this is to wrongly regard the Chicago School as having special 'inheritance rights' to Coase's idea. Indeed, Singer accuses the Chicago School of having relied on a 'perversion of Coase's argument' (89).

The second of the two middle chapters applies this positive proposal to the enduring question of whether we should want hierarchical firms to be displaced by worker cooperatives or other alternatives in which hierarchy is displaced by a greater level of democracy. Here, Singer shows how the account of norm-governed productivity accommodates some of the established explanations for why worker cooperatives have not come to flourish, but without going so far as to be generally dismissive of the desirability or feasibility of these alternatives to the standard firm. The discussion here is detailed and valuable. He is also able to make some observations that add further support to his account of firms as being subject to internal norms, such as the tendency for greater equality of wages within firms than across firms (155).

The book's final part explores various questions relating to what sort of normative principles might regulate the internal values and governance structures within corporations. Here Singer engages with such questions as whether cooperatives can adopt a 'tiered' structure so that not all workers are treated equally, what sort of control should accrue to shareholders, and what sort of goals (beyond legal or contractual duties) should be central for managers and executives – the central question of business ethics. In navigating this territory, Singer errs towards views on which the structure of corporations is such that 'those who most closely relate to the corporation have a say in its governance' (201). Singer's position on business ethics, laid out in the final two chapters of the book, aims to modify the standard 'market failures approach' (MFA), on which a central element is a moral requirement not to profit from strategies that tend not to contribute any real economic value (228). Singer's main criticism of MFA is that it concedes too much in treating the idea of markets as devices of efficiency, in which economic actors might be constrained by supplementary moral constraints. Singer suggests the alternative idea of 'justice failure' as a more ambitious alternative to MFA. Roughly, this is a more demanding view on which businesses must refrain from a wider range of practices than those prohibited under MFA. This includes, for example, the pursuit of profit made possible by background injustice (such a requirement may rule out quite a lot). Singer recognizes that a full articulation of this approach presupposes rather more than MFA by way of difficult philosophical work. Still, Singer does enough to provide an intuitive sense of how he is trying to develop the project of business ethics. Whereas MFA would prohibit profit-seeking via misleading advertising or polluting rivers, an approach based on justice failure would add constraints relating to, at least, ways in which corporations currently seek to shape the electoral system in their favour or otherwise capture regulatory processes in government (243). It is fairly clear, to me, that this focus goes beyond that of MFA as normally understood.

On to some criticisms. Although it accounts for the shortest of the book's three parts, it was the book's middle part that I found most provocative. One can raise doubts, I think, about Singer's account of how firms work to counterbalance the psychological effect of market participation. I will concentrate on this.

First, there is the story about how firms reintroduce norms of cooperation in a sort of corrective, *ex post* fashion. Singer wants to suggest that 'surely, most of us don't join businesses or go to work looking forward to the thrill of cooperating and

adhering to social norms, but rather with the aim of making money or some other sort of extrinsic reward'. Although phrased as a concession, it is one whose acceptance adds something to the plausibility of Singer's account. And yet, I wonder how accurate it is: It may well be that people seek employment because they want, *in the first place*, to make friends and be part of a community, and that this is one factor that makes self-employment less attractive. As such, maybe the presence of cooperative norms within firms is to some extent a selection effect, given the type of people who seek employment rather than freelancing. (In other words, it may be the self-employed who are really going to work with the aim of making money, while perhaps preferring self-determined activity over membership of a workplace culture, with those heading to firms doing so based on a slightly more mixed set of motives.) It may be that the goods of employment, other than money, might have been more prominent in Singer's account of what psychological motives are at play.⁴ A closely related question is whether, granting the presence of pro-cooperation norms, the credit for actually designing or instilling these norms should go to the firm. I suspect Singer is right that firms do sometimes work in this way. After all, cultivating a culture in which people want to work productively is probably less costly than working out ways to monitor behaviour while bosses bark orders. But imagine a group like a philosophy or economics department possessing a healthy internal culture in which colleagues help each other out and work consciously together, in ways that help the university produce the service it's meant to produce. Should the university management be regarded as the cause of such norms? In many cases, I suspect probably not: Such cooperation occurs because the workers in question start off with something in common, and reinforce each other's retained cooperative disposition. And this is why some people want to seek employment in academic departments, and forego other (often more financially rewarding) labour market opportunities for which they might have been competitive. Singer's view is really that firms create the space for norms to develop, and whether this proceeds through direct managerial design or something more spontaneous and bottom up is something that his view allows to vary from one firm to another. The point is that these 'sites' of social norms could not occur without firms creating such space. My point here is only that more might have been said about cases where the emergence and maintenance of workplace culture is less clear cut than it may be when it occurs through managerial cultivation.

I also think Singer might have done more to accommodate the fact that firms are an enormously heterogeneous body of institutions. The account of norm-governed productivity surely has more application in some contexts than in others. Plenty of relatively large firms exist whose employees are rarely working in the same physical space, or even engaging in much communication. Some retail firms employ large workforces but have them spread around small isolated locations (think for example of petrol stations and 24-hour convenience stores). Haulage firms may employ any number of drivers who rarely see or talk with each other. How plausible is it that workplace norms are both present and efficacious, when

⁴On this see Gheaus & Herzog (2016).

cooperation is in many respects rather minimal, or at least not characterized by the constant experience of working in a team? What about employers in which internal norms are very strong, but where the hierarchy is also manifestly about the transmission of orders and constant monitoring, such as in the military? And what about employers where the attempt to cultivate internal norms might be in tension with more specific requirements of justice, as might be the case when workers from a relatively narrow demographic pool seem to get hired or promoted disproportionately often, perhaps because they 'fit in' best? In raising these questions, particularly the last, I would add the qualifier that they suggest Singer is right to favour a justice-failures approach over the more familiar market-failures approach, not least because this would better accommodate and address such questions.

I make these points without any special insight into the nature of social norms or how they operate within workplaces. But one suspects that the substance of the book's middle part might have deserved more than two chapters, if only to better clarify the way in which Singer's proposals make a valuable contribution. Apart from that, the book's ambitious scope does (perhaps inevitably) mean that it ends up in a different place from where it started. My impression was that the work of part 3 was less connected to parts 1 and 2 than these parts were with each other. There was the odd passage where there was a sense that more could have been said, for example Singer's brief discussion of the employment relationship towards the end of Chapter 9.

Singer's excellent book will stimulate new discussions about the relationship between workplace hierarchy and workplace norms, while providing political philosophers with an effective and much-needed way of getting to grips with the large body of work constituting the theory of the firm. Singer's book is an important contribution to our understanding of the normative and economic dimensions of workplace hierarchy, and one expects that its impact will be valuable and lasting.

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On Trade Justice: A Philosophical Plea for a New Global Deal, Mathias Risse and Gabriel Wollner. Oxford University Press, 2019, viii + 278 pages.

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‘Trade has made the world.’ Starting from this simple but important insight, Mathias Risse and Gabriel Wollner deliver an ambitious and wide-ranging account of what justice demands in the domain of international trade. The subtitle of the book alludes to post-war efforts to construct a fair, global economic system in the spirit of the American New Deal of the 1930s. Picking up where debates surrounding a New International Economic Order left off in the 1970s, the authors put forward a philosophical framework that sheds light on the role of firms, states and global governance institutions in achieving a fairer global economy.

Apart from being one of the very few book-length treatments of the topic in the recent literature, *On Trade Justice* stands out for two reasons. The first is that it attempts to integrate trade into a broader, pluralist theory of global justice. Drawing on Risse’s earlier work (Risse 2012), the authors recognize several ‘grounds of justice’ – or reasons why claims of justice exist – and identify subjection to the trade regime as one such ground. The second key feature of the book is that it expresses the demands of trade justice in the language of exploitation: the gains of trade are distributed justly only if these gains are obtained without exploitation. Importantly, whereas rival views in the literature view trade either as a transaction between individuals or as a distributive question among states, an account focused on exploitation recognizes a multiplicity of actors. Having sketched an original theory of exploitation in the first section of the book, the authors go on to explore its implications for two actors in particular: states and firms. The chapters dealing with states consider issues such as reform of the WTO and domestic trade policy dilemmas; those dealing with firms examine questions such as fair wages and the permissibility of outsourcing and relocation.

Risse and Wollner’s account is one that does not shy away from complexity. From the pluralist approach to global justice, to their specific conception of exploitation, to methodological views on agency or non-ideal theory, there are many moving parts in the overall argument. The discussion engages with a broad set of theoretical debates, and the authors often offer carefully argued and nuanced positions that attempt to integrate the insights of competing views while steering clear of their flaws. It is commendable that they manage to pull the different strands of these debates into one overarching theory. Despite these



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