

The Discourse of Industrial Democracy: Germany and the US Revisited

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To better understand cross-country variations of institutions and practices of industrial democracy, such as between Germany and the US, this article highlights a frequently neglected explanatory factor, the national-specific discourses of democracy at work. These discourses are shaped by alternative political philosophies of the 19th century on the relationship between state, society and economy. In particular, how the role of the firm in society was conceptualized differently between the emerging capitalist economies of Germany and the US had a lasting impact on the extent and form of their industrial democracies today.

Keywords: discourse, Germany, industrial democracy, labour history, politics, United States

Introduction

A long-standing topic in the field of comparative industrial relations is the varying degrees and forms of industrial democracy (ID) – more fashionably called ‘social partnership’ – among advanced industrialized economies. As is well known, continental European countries traditionally yield higher degrees of democracy at work than their Anglo-Saxon counterparts. Explanations of successes and failures of ID commonly refer to differences in industrial relations (IR) institutions, state policies, employers’ actions or unions’ deficiencies. These are important factors investigating national variations of structures and of actors. Yet, they do not capture the entire picture. This article proposes that it is sensible to include a variable frequently neglected in the discussion: the different ideational

foundations or *discourses* of ID which are embedded in specific national political traditions. It is evident for any comparativist that not only is ID differently practised in different countries but also that participating actors, such as trade unionists or employers, observing scholars as well as the wider public have often strikingly different perceptions of what ID stands for. These differing discourses, as this article shows, are embedded in the historical context of how nations discussed and defined the relationship between firm, state and society.

To be clear, this article does not deny the crucial relevance of structural and actor-specific factors. All I propose is that an explanation of cross-national variation in ID practices may be enriched by referring to the discourse of ID in each country. Thus, this article does not treat structural, actor-specific and ideational factors as competing but as complementary explanations. Its underlying aim is to highlight the relevance of discourse and ideas in the field of comparative industrial relations.

The article's primary task is, then, to describe the alternative discourses of ID as they developed historically in Germany and the US, two examples of countries with highly different ID practices. Germany, with its highly legalistic, expansive system of codetermination, is usually regarded as the prototype of ID, having achieved workers' participation in managerial decision-making through legal rights for works councils and workers' representatives at companies' supervisory boards. In contrast, the US is known for its highly voluntarist, informal approach to ID comprising voluntarist forms of direct employee participation and free collective bargaining. Arguably, the national discourses as they developed during the 19th century had an impact on the institutionalized forms of ID in both countries.

In addition, the article provides some preliminary ideas of why different concepts of ID developed in different national contexts. The article illustrates that the ID discourse is heavily shaped by the nationally specific perceptions of democracy, state and economy which developed during the 19th century. It is no surprise that the 19th century, the century of industrialization, was decisive in establishing paradigms to think about work and labour – long before IR was developed as an academic discipline. Yet, what is sometimes forgotten in the context of IR is the fact that the 19th century was also the century of democratization and thus the 19th century discourse on political democracy had a major impact on how scholars

approached the labour problem at that time and how ID was interpreted. In particular, the article explores how perceptual differences of the relationship between capitalist firms and democratic states shaped national discourses of ID.

Defining Industrial Democracy

The use of the vocabulary 'industrial democracy' (ID) often generates as much confusion as illumination, not least because different sets of people who employ the concept mean very different things by it, but also, as I want to explore in this article, the concept generates different meanings in different national contexts. Similarly, 'participation' or 'social partnership' tend towards vagueness and are subject to a host of interpretations.

First of all, countries use different terms to refer to ID. Whereas the US and Britain use 'industrial democracy' (or workplace democracy), the German literature refers to various terms, mainly *Mitbestimmung* (codetermination) – but also participation, partnership and economic democracy. The German literature distinguishes between industrial democracy, thus codetermination, being focused on the industry and firm level, and economic democracy, which looks at workers' influence on the economic policy-making of the state (e.g. joint employer–union commissions, corporatism/tripartism, etc.). In contrast, the US and British literature frequently use ID as an all embracing term, as is done in the following.

ID is broadly interpreted in the industrial relations literature as focusing on the relationship between capitalism and democracy and thus covering a wide range of propositions from reforming to overthrowing capitalism.

There are also political scientist definitions which advocate participatory theories of democracy (e.g. Pateman, 1970) as well as the managerial literature interested in the human relations and subsequently human resource management argument that participatory workers are happier workers, and thus that there is a link between workplace democracy, job satisfaction and possibly higher productivity. This is a predominantly US literature on personnel management (Witte, 1980; Zwerdling, 1978). Some managerial scholars are also interested in enhancing workers' control over their work and discuss forms of worker participation at shop floor level such as the 'team work' or 'quality of working life programmes'. It is

acknowledged that an increase in workers' decision-making power may have beneficial consequences for the quality of overall decision-making in the firm. However, the political as well as managerial literature perceive ID ultimately as a means to achieve certain goals (enhancement of civil society or economic efficiency) but not an end in its own right, which is what industrial relations focuses on and is therefore excluded.

Within the debate on how to reform capitalism in order to make it more democratic, a core assumption is that capitalist property rights are not necessarily of higher democratic value than employees' interests in control over their working lives. Scholars have distinguished and debated different forms and levels of employee participation and of ownership (Blasi and Kruse, 2004; Gunn, 1984; Schurman and Eaton, 1996). Most important is hereby the question of how much control workers eventually gain through these devices over managerial decision-making. Given the focus on control, ID is then defined as comprising a variety of participatory forms ranging from a lower to higher degree of workers' control: from workers' direct participation at shop floor level where managers retain final control to workers' participation in the managerial decision-making process, to the most radical form of workers' self-governance (self-management, cooperatives). Thus, I argue that the focus should be on what impact certain types of ID have on managerial decision-making rather than whether they provide workers with more direct participation. Works councils for example offer extensive institutional participation for employees in shaping the processes of will-formation and decision-making in the enterprise, but they do not offer direct participation opportunities for the individual worker (Frege, 2002). Collective bargaining as a form of ID, which is prevalent in the US, does not however either involve direct worker participation or provide a significant impact on managerial control. According to Mason (1982: 154), collective bargaining yields weak democracy since unions grant management the ability and right to make all decisions necessary to manage without workers' influence. Bargaining is restricted to negotiating over certain content of the employment contract and does not usually interfere with daily managerial decisions. Arguably, German co-determination, which provides workers with institutionalized access to management decision-making, has therefore a higher impact on control than collective bargaining. The remainder of this article investigates the ideational origins of these different regulations

of ID in Germany and the US as they developed during the 19th century.

The Political Embeddedness of the Discourse on Industrial Democracy

This article proposes that the way in which ID was conceptualized during the 19th century was significantly shaped by the national-specific political discourse at that time. Much of this discourse focused on two core questions: how one should regard the fundamental economic, social and political changes at work, and how one should conceive of the form and purposes of a state that was to be able to meet the challenges of these changes (Dyson, 1980: 159). It was a time of political experimentation and the question was how to give institutional expression to the new ideas of individual liberty, equality and a modern democratic state. A major distinction can be drawn between liberal, *mechanical theories of the state*, which primarily developed in Anglo-Saxon countries, and *organic state theories*, prevalent in Germany. Various explanatory attempts exist as to why different political theories or discourses on ID historically developed in different national contexts, such as the different degrees of democracy (US democratized much earlier than Germany), socioeconomic conditions or different cultural/philosophical traditions (e.g. Dyson, 1980: 199). Yet, these are of less importance for our purpose here since I concentrate on how these discourses shaped the perception and outlook of ID.

Anglo-Saxon thinkers were generally influenced by liberal concepts of society and state which are rooted in Anglo-Saxon positivist philosophy (which originates from the Enlightenment and relates to pragmatism, utilitarianism and empiricism) (Delanty, 1997: 12). Compared to continental Europe, Anglo-Saxon thinkers gave little attention to the concept 'state' and exhibited a greater faith and interest in the creative nature, vitality and resilience of civil society and in civic humanism, rooted in the practice of civility, as the source of standards in public life. They emphasized the importance of the state/society distinction, with society being superior to the state, and a distrust of all forms of institutional power. The core assumption of liberal state theories was therefore an optimistic conception of man, as well as the view of the state as a legal phenomenon and personality. In other words, the modern state represented

a depersonalization of power and becomes a subject of rights and duties. This led to a conceptualization of the state as a means or instrument of society rather than as a higher, ideational good. Even on the radical left side of the intellectual spectrum (such as the socialist left in Britain, in particular from the Webbs onwards), most thinkers associated themselves with an instrumental mechanical view of the state. It comes as no surprise therefore that Hobbes' *Leviathan* (1651) and its view that the politic is an 'artificial person in the law' which enjoyed sovereignty and acted as an authorized representative stimulated more response in continental Europe than in Anglo-Saxon countries. In contrast, Locke's 'trust conception' of government, which rejected the notion of government as an independent party confronting and contracting with the community, was rooted in the English law of equity and became more popular in the Anglo-Saxon world (Dyson, 1980:189).

A mechanical view of the state goes hand in hand with an individualistic, positivist conception of society. Society came to be perceived as composed of a multitude of autonomous individuals who possess and express their free will. A high value was put on individual freedom, which was essentially defined as being free from any superior power such as the state. The source of all law and state action was the individual, who was the only real, free and responsible being. The rights of the individual were prior and superior to the state, whose only absolute value was the liberty of the individual. Societal order depended on the assumption of rational conduct on the part of the individuals: it was a premise that they would not give up their liberties, that they would respect the rights of others, and indeed, that they would put value on public order (Dyson, 1980: 141).

In contrast, German thinkers were crucial in developing what is usually referred to as organic theories of the state. Whereas French thinkers during the late 18th and 19th centuries became fascinated with the Roman (Catholic) model of the state (centralized power), Germans began to look at the Greek model of the *polis* instead, which Hegel referred to as the 'paradise of the human spirit'. Turning to Greek culture as the key to true 'German-ness' was seen as an alternative to the French, and therefore Latin, influence in German courts of the 18th century. In response to the Napoleonic vision of a universal empire, the fragmented German states started to develop an increasing sense of a common national identity and cultural uniqueness. The rediscovery of the Greek was at the core of the

emerging Idealist philosophy, the German reaction to French Enlightenment. Thus, the combination of the French Revolution and a fragmented political, social and religious structure encouraged intellectuals to look for new ideals far removed from contemporary realities.

In particular, the Greek ideal of the whole man was compared with the fragmentation of the individual personality in modernity. Idealist thinkers, such as Herder and Hegel, were concerned to restore harmony to personal experience, to recreate the whole man in an integrated, cohesive political community (Dyson, 1980: 172). Their state theory was therefore a theory of social relations in a broad sense and created a German concern for the state as a cultural and moral authority rather than the Anglo-Saxon positivist tradition which was leaning towards the state as a rational, mechanical, morally neutral organization.

According to Hegel the state was able, through its institutions, to provide individuals with universal ends. People reconciled their particular subjective will and the universal will by finding rational values within their own community through engagement in practical activity. In other words, Hegel conceived the state as an integrated system of institutions, rather than, as Hobbes and the tradition which followed him had seen it, an aggregation or aggregations of individuals acting in consort to satisfy individual interests (Manicas, 1987: 94). Moral principles were not to be discovered by a process of self-reflection on the part of the individual but in the concrete, continuing life of the community (Dyson, 1980: 144). There was also a concern about the enervating effects on the person of social fragmentation, which was caused by the capitalist economy, and machine models or technical rationality models of state and society. This led to a new appreciation of the state in counteracting the threats to *Kultur* that was posed by the 'materialistic', 'machine' technology and 'mass' democracy with its politics of interest (Dyson, 1980: 151). According to Dyson (1980), German *Kultur* was opposed both to French civilization, with its rationalism and democratic and egalitarian spirit, and to the 'trader's spirit' and political economy of the US and Britain, with its egoism and acquisitiveness.

The following section explores how the two philosophies on state and society were instrumental in shaping different national responses of how much democracy and in what form was desirable for the industrializing economies in Germany and the US.

Germany

In Germany¹ the desire to create ID in terms of codetermination rights for workers in factories and in the larger economy is as old as its industrialization. Its basic origins lay in the period between 1815 (second Paris peace) and 1848 (the March revolution), called *Vormärz* (pre-March). As outlined earlier, it was a time of great political uncertainty when the relationship between individual citizens to the traditional state institutions of the monarchy and the new economic institutions were questioned by many and when the Enlightenment gave people a new sense of being and an incentive to rebel against the fossilized power structures of the authoritarian state.

One can distinguish three major traditions of ID which developed at that time: a socioethical, a communitarian-economic and a constitutional approach. The socioethical approach developed under the influence of the utopian socialists such as the British Robert Owen (1771–1858) but is also linked to the German Idealist philosophy, its striving for the wholeness of the human being and its fight against materialism and its emphasis on culture and education as a necessary vehicle to become a better person. The labour question came to be regarded essentially as a pedagogical-moral problem. German reformers were convinced that one needed to educate the worker and that they would rise under the benevolent patriarchy of enlightened factory owners to a new moral consciousness, and would have a greater feeling of responsibility and humanism. Moreover, the increase in the moral standard of the worker was seen as one of these irrational facets of human life which could not be reached by modern technology. Thus the philanthropic argument was intertwined with a specifically German critique of modern technology and the industrial revolution (non-existent in the US).

The second, communitarian-economic approach built on thoughts of a new order of the industrializing economy to reinstall certain organizing mechanisms characteristic of the Middle Ages. A keyword was ‘association’ (*Verein*), a widely used term at this time. The idea of the association belonged to the core paradigms of the *Vormärz* and was the core piece of the demands for a free society. The underlying idea was the search for a new organization of society, economy and corporations, and in particular for an incorporation of the growing proletariat within society. Its protagonists did not want the unlimited power of the stronger (socio-Darwinism), which would lead to a disorganization of society. On the other hand,

they also did not want to go back to the medieval guild system, but favoured a more flexible, craft-related cooperative system to establish an intermediary base between individual citizens and the state and saw this as the best solution to prevent social unrest/revolution. These political scholars during the Vormärz were the first opponents of economic 'Manchester liberalism' in Germany. They were against the individualization of society, against decentralization of society in isolated subunits and demanded a corporatist economic order which fit with their vision of an encompassing state and society.

The third and most important trajectory was developed by political and legal scholars who took a constitutional approach to ID. Its basis are two traditions within German organic state philosophy which had a lasting impact on the discourse on ID and shaped the first legal foundations of codetermination as developed during the Weimar Republic.

On one hand there was German romantic liberalism, which in constitutional law meant the rejection of the construction of the state as an outcome of a 'rational contract' which goes back to Rousseau and Kant. The state was instead seen as an abstract, above the individual standing, unity with its own identity, a historical organism with its own dignity. As outlined earlier, this relates to Hegel's (1821) philosophy of law, which conceptualizes the state as the 'reality of the ethical idea'. As the famous lawyer Adam Müller (1809) declared, states are not artificial constructs, but they are 'the totality of all human concerns, they are a living whole'. On the other hand, there were the 'rationalist' liberals (e.g. Karl von Rotteck, Robert von Mohl), who followed a more reason-based constitutional law. They were more democratically oriented, in favour of Enlightenment and created the notion of the *Rechtsstaat* (untranslatable: *Recht*, law; *Staat*, state). It is the 'state of reason', the 'rational state', in which government is in accordance with the reasonable collective will and only what is generally best is pursued (von Aretin, 1824: 163). Thus, the *Rechtsstaat* is the state governed by the law of reason, the state that realizes, in and for human coexistence, the principles of reason.

Both traditions should not be seen as mutually exclusive. Many scholars can be seen as fitting into both categories. In terms of their influence on ID, what matters most is their joint concept of the state as something larger than the individual and as something which should guarantee certain liberties and democratic rights for its citizens at workplace level. As von Hayek (1979: 15) argues,

German liberalism was basically a constitutional movement. The idea was to use the state to achieve power to guarantee citizens' freedom, whereas the Anglo-Saxon notion of liberalism was much more a political theory based on the principle of constraining the power of the state to give citizens their freedom.

One should note that the humanistic, communitarian or constitutional ideas had no immediate impact on the actual practice of industrial relations at that time. There were a few exceptions of enlightened employers who installed voluntary worker committees and became convinced that a work constitution was necessary. The entrepreneur Roesler (1895: 255), for example, states: 'I would like to organize my factory as a constitutional state. The owner is the first among equals, who has taken on the leadership and a certain power and thus has most duties. The managers and dept heads are ministers. The time of absolute monarchs is over in political, state life. It should also be over in the economic life. What works for the kings and lords should also be fine for the small factory monarchs.'

However, the philosophical ideas, in particular on associations and the constitution, continued to shape the political reform debates throughout the century. One can broadly distinguish two time periods, 'pre-1848 and the 1848 revolution' and 'the second half of the 19th century'.

Pre-1848 and 1848. Bureaucratic reformers (such as Lorenz von Stein in Prussia) took some of these ideas, in particular the associative economic order, further and proposed a whole network of associations at local, regional and state level to support the poor. The idea was that through the active participation of workers in these economic associations they would become ready for political democracy. In practice, there were indeed a growing number of associations supported by the Prussian state.

One example is the Berliner Centralverein, founded 1844 by well-known industrialists and Prussian bureaucrats, which became the core institution of social reform ideas during the Vormärz period. Its idea was to combine economic liberalism with a social network for the poor. Arguably, these were early attempts of the German 'social market economy' as developed after the Second World War. The Centralverein declared that each industry in each town should have a 'factory committee'. These should create savings banks for

people, organize arbitration of workplace conflicts (especially wages, working time), take care of subsidized flats and food for workers and of the education of workers, control of child labour, care for widows, etc. These factory committees were supposed to have equal proportions of employer and worker members and should also influence internal workplace relations in order to: ‘determine the “factory order/constitution”’; organize the working contracts if workers or employers want it and to control whether the rights and duties are kept; control the quota/relationship between adult workers and trainees; be on guard for a continuously high quality of production; and to arbitrate in possible conflicts at any level of the factory’ (Centralverein, 1849). These factory committees should also have a voice in the local communities in order to represent the interests of the industry. The broader principle was to have self-managed associations organizing the entire economy.

An underlying idea was to distance oneself from the patriarchal, Christian notion of ‘helping the poor’ and the communitarian principle of self-help – which the utopian socialists pursued – and to favour instead equality and codetermination rights of workers within the economy and society (Schmidt, 1845). The ideas on codetermination were also supported by the workers and craftsmen congresses which were established during 1848 to protest against the growing capitalist factory system and to debate on economic alternatives (Gesellenkongress, Frankfurt 1848 and Arbeiterkongress, Berlin 1848). A core demand was the constitutional right of codetermination, thus a transfer from rights in the political sphere to the economic sphere and a new economic order combining the old *Zunftwesen* (guild system) and state socialist ideas. In more detail, the worker congress under the leadership of Stephan Born demanded codetermination for fixing the minimum wage, the maximum working time and for regulating dismissals through a joint committee (with equal numbers of representatives on both workers’ and owner’s sides). They also wanted a voice for workers (joint regulation) in determining the number of apprentices per ‘master’. These congresses were not per se anti-capitalist but essentially pleaded for class compromise, implemented in a socially responsible economy.

The Centralverein’s as well as other scholarly reform ideas and the worker congresses circulated in the public and influenced the political events of the 1848 revolution and the subsequent debates on the

constitution of the Frankfurter Paulskirche, the first, failed attempt of a democratic parliament in Germany. In particular, these debates influenced the White Article of the Factory Constitution² of the Paulskirche (Minoritaetenentwurf der Nationalversammlung), the most important document in the history of German codetermination. The aim was to have a new economic order at macro, industrial and firm level which included national chambers of crafts where worker representatives participated, industrial worker committees and joint committees at workplace level through which workers had certain legal participation rights at factory level. This legislation was the most progressive concept of ID in Europe at its time, but never materialized because the parliament was eventually dissolved and the monarchy re-established control. It had, however, an enduring impact on future thinkers.

Second half of 19th century. The ideas of the Vormärz and of 1848 were rediscovered by the *Kathedersozialisten* (socialist academics) in the second half of 19th century. These were prominent political economists of the historical school and scientists organized in the Verein für Socialpolitik (1873). In contrast to the advocates of 'Manchester liberalism' they saw the economy and politics not as two separate subsystems but as interrelated. These scholars also drew on the earlier Idealist ideas of the state as being a living organism. For example Gustav Schmoller, one of the leading economists of the German Kaiserreich, argued that the firm from a particular size onwards is a quasi-public institution and not a private matter alone. The state has the right to intervene in workplace relations for the benefit of the whole society. This approach differed significantly from the traditional Anglo-Saxon approach in that it supported state intervention in the economic sphere and in its conviction that capitalist enterprises are not only a private property issue. 'The importance of the worker committees is that they transform the old patriarchal order in the firms in a new public order which has a mixed constitution. The worker committees make our economic institutions compatible with our political system.' The worker committees were seen as the essential institutions to legally guarantee individual workers' rights and their freedom (Bitzer, 1871: 268).

It should come as no surprise that the Kathedersocialists were heavily criticized by employers' associations and other conservative forces. Also, the Social Democratic Party did not approve of the

worker committees. During the 1890s the SPD was characterized by their hopes that the future socialist state was very near. Kautsky, the main theorist of the labour movement at that time, dismissed worker committees for ideological reasons. Workers and employers should not have friendly agreements with each other. There should be no common interest between the two. They were also sceptical that employers would not constantly sabotage an institution which is against the core tenets of the capitalist system. Thus, although Marx strongly supported democratic collective rights at workplace level, he and his followers were more concerned with the larger transformation of capitalism and politics than with concrete workplace improvements.

Some social democrats however, in particular Eduard Bernstein and his followers, were in favour of worker committees. They believed that the capitalist system is not destroying itself but that, on the contrary, capitalism is stabilizing itself and hence their goal needed to be to increase the public control of the economy (socialist evolution). They were in favour of an institutionalization of democratic rights at workplace level. For them socialism meant political and economic democratization. Until the start of the First World War, German social democracy consisted of these two opposing standpoints on this question, but eventually the Bernstein wing won and the SPD took a reformist route.

A similar debate existed among trade unionists. Unionists were afraid that these worker committees would compromise their position, which was already weak with respect to the SPD. But from 1890 onwards, Legien's union (the Freie Gewerkschaft, led by Carl Legien, the main union at that time) became more and more interested in social politics and the improvement of the material position of workers within the existing system. For the first time in the labour movement, Legien drew a distinction between 'the political activities of the SPD, which aims at a transformation of the existing order, and the functions of the union which – because there are legal restrictions – are based in the existing economic order' (*Correspondenzblatt*, 1891: 9). This approach culminated in the work of the union theorist Fritz Naphtali (1928: 16), who introduced the concept of 'evolutionary democratization of factory, firm and economy'. For him, socialism was not practicable without democratization of the economic governance. Asking for industrial democracy is not betraying socialism but is a necessary part of it.

United States

The US is a much more difficult case to reconstruct partly because it did not develop coherent groups of thinkers such as the Katheder-socialists in Germany. Ideas were scattered around by individual public figures who are difficult to cluster. Note that I exclude discussions of the US managerial literature on personnel management developments.

The 19th century is usually described as the core period when the ideology of individualism and free enterprise, thus the right of individuals to acquire and use wealth in accordance with their abilities and with minimal interference from the government, ultimately succeeded in becoming the dominant paradigm in the US. As outlined earlier, the individualist ideology complements a mechanical state philosophy.

Initially fostered by the Protestant ethic, the ethos of the American Revolution, and the spirit of the pioneers, this individualistic ideology was strongly reinforced by the social Darwinism of Herbert Spencer and William G. Sumner. The individualistic paradigm did not however happen automatically, it was not inevitable or without resistance. There were alternative streams of thought which resembled humanitarian and communitarian European ideas. Yet, they ultimately remained at the margin of the mainstream public discourse.

The term 'industrial democracy' itself was first found in 1887, but the broad concept was used throughout the 19th century attached to various different meanings (Derber, 1970: 7). One can crudely distinguish two periods, the middle of the 19th century, the pre-bellum (pre-Civil War) period, where ID was discussed among a heterogeneous group which I call 'early reformers', including 'utopian socialists', 'socialists', 'radical republicans' and 'liberals', and the second half of the 19th century, which became dominated by collective bargaining. Contrary to earlier academic beliefs, US labour was not voluntarist from its very beginning, but rather quite actively engaged in party politics and alternative ideas of industrial relations and ID (Hattam, 1993: 8). The 'new labour history' of the last three decades has uncovered a rich heritage of workers' protests in the US and has shown that American workers were not always staunch advocates of non-political business unionism. It was not until the last decade of the 19th century that American labour turned away from alternative reforms of capitalism and adopted instead a

strategy of business unionism. Thus, during the second part of the 19th century, the Gilded Age or post-bellum period, the ID discourse very soon became dominated by the labour movement, in particular the largest union, AFL (the American Federation of Labour), which narrowed ID to trade unions and voluntary collective bargaining.

Early reformers. There was an increasing number of liberal thinkers from the emerging middle classes in the mid-19th century who were committed to supporting an egalitarian societal order despite rapid industrialization (e.g. Fourierists, Jacksonian radical democrats) (Merrill, 1996: 37). Similar to Britain's utopian socialists (in particular the industrialist Owen), they were engaged with ideas of producer cooperatives, communitarian societies emphasizing the virtues of cooperation and harmony rather than class struggle and conflict. There were a few radical programmes such as the planned societies of Bellamy or Marxists or Lassalleans, but most were moderate local reformers (Derber, 1970: 34).

The rage for cooperatives continued throughout the 1880s, during the heyday of the Knights of Labour. The Knights of Labour (established in 1869 as a secret society), the most famous radical labour movement at their time, favoured a cooperative organization of the economy and had the abolishment of the wage system of labour as their primary goal. One should note, however, that they rejected the idea of class conflict or strikes and proclaimed instead the harmony of all productive classes (McWilliams, 2002: 142).³

Moreover, radical liberal economists such as Henry D. Lloyd and Richard T. Ely helped introduce the concept of ID as producers' cooperatives and a social welfare state to the wider American public in the 1880s and 1890s. Ely defined ID as 'self-rule, self-control, the self-direction of the masses in their efforts to gain a livelihood . . . industrial government' (Ely, 1889: 236), which he found in 'pure' or 'productive' cooperation. Lloyd favoured political action to secure collective ownership of the means of production and managed to bring ID to the agenda of the AFL 1893 convention. However, his vision remained somewhat vague: 'It is by [the workers] the captains of the industry are to be chosen, and chosen to be servants, not masters. It is for the welfare of all that coordinated labour of all must be directed. Industry like government, exists only by the cooperation of all, and like government, it must guarantee equal protection to all. This is democracy' (Lloyd, 1909: 91).

Thus, by the mid-1890s, the pioneer industrial democrats had elaborated their egalitarian, ambiguously collectivist critique of American capitalism. They recognized the growing disparity between working men's political rights on the polls and the increasing inequalities at their workplaces and focused on philanthropic management tools and cooperative economic systems. As Harris (1996: 45) convincingly argues, 'the progressive industrial democrats hoped to build a new society in the interests of underprivileged groups on the basis of an expansive interpretation of the members of those groups' individual civil rights; and they assumed that standards of the public political sphere should also apply to employment relations, thus the logic that since the US is a democracy, its economy must be democratic also'.

However, they never had a lasting impact on the main public discourse. They did not have a chance against the dominant American liberal reading which centred around the 'belief in the explicit separation of the "private" economic and "public" political spheres, and that groups' rights are of lesser value than individuals' rights, and an interpretation of liberal democracy in terms of the protection of the right of all to pursue individual interests according to the rules of economic competition and free exchange' (Kiloh, 1986: 17). Thus, individuals' political rights and their rights at the marketplace as producers and consumers and proprietors of their labour power and other goods were seen as logically and necessarily separable. Moreover, the voice of radicals within the labour movement such as the Knights diminished rapidly after the defeat of the radical political activists within the AFL against Gompers, who supported a liberal notion of ID (as is further outlined later).

Thus, in the mainstream 19th-century discourse, industrial relations was mainly interpreted within a liberal mindset as a contractual relationship between two 'free' individuals, the seller and buyer of labour, and seen in contrast to slave labour. The state's task was to secure free contracts. Democracy was therefore limited to the notion of 'free labour' having exit options rather than voice, and control is entirely in the hand of the proprietor, the capitalist. This discourse was very much shaped by the American experience of slavery and reinforced by the courts and thus differed dramatically from the European experience. As Henry Williams of Taunton put it in 1853: 'In a free government like ours, employment is simply a contract between parties having equal rights. The opera-

tive agrees to perform a certain amount of work in consideration of receiving a certain amount of money. The relationship, when properly entered into, is one of mutual benefit. The employed is under no greater obligation to the employer than the employer is to the employed. . . . In the eye of the law they are both freemen – citizens having equal rights, and brethren having one common destiny’ (Taunton, 1853).

ID as collective bargaining. It comes to no surprise then that Derber’s (1970) classic history of ID in the US is almost exclusively a history of US trade unionism. The internal struggle of the union movement in the second half of the 19th century and the victory of the more pragmatic, labour market-oriented AFL determined to a large extent this conceptualization of ID. In other words, much more than in Germany and also more than in Britain, it was the US union movement and its political situation at that time rather than political reformers or intellectuals that shaped the ID discourse.

In the early 20th century, the debate about ID among reformers moved away from the simple moralism and analogies of the idealized account of American political development of Ely and Lloyd, towards a much greater concern with the quality of working life and problems of industrial conflict and distributive justice in a corporate capitalist economy with a partly organized labour force (Harris, 1996: 51). In other words, in the 1900s ID came to mean one thing only: the self-organization of workers into independent unions, the recognition of those unions by employers for purposes of collective bargaining and the constitutionalization of industry by joint development of agreed rules and means for their quasi-judicial, peaceful enforcement. The idea was not the imposition of a formal governmental structure from ‘outside’ (for example by legislation) but rather the gradual, piecemeal and above all peaceful development of jointly agreed and adaptable rules by the parties themselves (Harris, 1996). This intellectual development was supported by the leadership of the AFL. As is well known, after some initial vacillation, at its conference in 1894 the AFL rejected the arguments for independent labour politics and an alliance with the agrarian-based populist movement and opted instead for AFL president Samuel Gompers’ vision of non-political ‘pure and simple’ unionism (Archer, 1997: 56). Gompers was convinced that the

labour movement should avoid grand social projects and revolutionary challenges to capitalism and advocated 'trade unions pure and simple' (Gompers, 1984: 115). Although the AFL used the language of class struggle, their principal objective was to improve their members' conditions in the existing private enterprise wage-earner system (Derber, 1970: 49). They had little faith in producer cooperatives or publicly owned and managed enterprises. In short, they recognized the need for political action to protect the unorganized, to prevent unfair competition and as defences against hostile courts, but they placed major reliance upon their economic strength within their industries (Derber, 1970: 50). After the turn of the century, the AFL both accepted and promoted a quite marked separation of work and politics: workplace concerns were to be addressed through collective bargaining and industrial conflict, leaving politics for citizens' concerns (Hattam, 1993: 4).

Thus, whereas unions in Germany and other continental European countries and to a lesser extent in Britain advocated workers' interests in the political arena, and advanced state-sponsored social reforms, US unions focused instead on workplace concerns, achieved through collective bargaining and strikes on the shop floor (Hattam, 1993). The general fusion of ID with unionism and collective bargaining was nearly completed by the turn of the century. It culminated in the statement of the US Industrial Commission's report (1902; quoted in Hattam, 1993): 'by the organization of labour, and by no other means, it is possible to introduce an element of democracy in the government of industry'.

There has been a large amount of literature on why the US labour movement and the AFL in particular turned to business unionism, thus privileging economic interests over political reforms. These accounts highlight the state's weak and decentralized structure, the legal system and conservative court decisions (Hattam, 1993; Tomlins, 1993). Tomlins (1993: 61), for example, points out that organized labour faced increasing conflict with the individualistic spirit of the law in the 1890s and early 1900s, which mostly led to defeats for the unions. Political activity to capture the state or militant syndicalism were both canvassed as possible strategies of response. But in the main, the effect of the reverses of these years was to accelerate and generalize throughout the organized labour movement the adoption of strategies which abandoned all but the immediate economic struggle, and which concentrated on protecting the power of the leading national unions. According to Tomlins, by

the First World War the AFL had accepted reality and the inevitability of the new corporate political economy.

Intellectually, these developments were underpinned by an academic discussion which was heavily influenced by the classic British work of Sidney and Beatrice Webb, *Industrial Democracy* (Webb and Webb, 1897), according to Derber (1970: 9) the most influential writing in the American debate on ID. In particular, the industrial relations literature, starting with John Commons and other institutional economists of the Wisconsin School (the birthplace of the industrial relations discipline in the US), associated industrial or workplace democracy with trade unions and collective bargaining (Dickman, 1987). A good illustration is, as McCartin (1997: 29) points out, Commons' criticism of the progressive Walsh Report (1915) of the US Commission on Industrial Relations on ID, which caused a sensation in the midst of a decade of labour upheaval by condemning the misdistribution of wealth, calling for measures to stem unemployment and arguing that the only hope for the solution of labour conflict lay in the rapid extension of the principles of democracy to industry. Commons responded that democratizing industry would end up 'throwing the labour movement into politics' and favoured impartial mediation boards instead.

In other words, the anti-statist conception of the union's role developed by the leadership of the AFL provided the basis on which reformers like those of the National Civic Federation and the Wisconsin School of Institutional Economics erected their own image of ID as collective bargaining. According to Harris (1996: 54) the Wisconsin School expressed the view of most sceptical American liberals, who turned in favour of unions as a vehicle to solve industrial conflict and as an alternative to statism or socialism. However, the fact that unions and ID were seen as a good thing did not prevent them from finding union power in practice rather suspect. The labour movement's continuing marginality for another generation – hence the fact that the basic questions of union recognition and collective bargaining remained unfinished business from the 1900s to the mid-1930s – surely fixed the understanding of ID within the mainstream of independent liberalism (Harris, 1996: 55). Partly as a result of the want of better alternatives, the union became the necessary instrument for the revitalization of important liberal schemes.

Discussion

In both countries, ID discourse and practice emerged out of a political conviction that the capitalist system can and should be reformed rather than overthrown. Though utopian socialists and Marxists had an impact, ID did not really evolve out of a socialist heritage as is often assumed but out of liberal traditions (both in Europe and the US) to integrate workers into the developing capitalist economy and democratic state. However, both countries developed during the 19th century rather different liberal traditions on the relationship between state, society and economy, which shaped different interpretations of industrial democracy. Table 1 summarizes the different paradigms of ID in the two countries.

Both countries shared a similar heritage of ideas on humanitarian and communitarian forms of work and the economy. However, there were slight differences, especially in the humanitarian approach, which revealed a growing divergence in the national interpretation of the relationship between firm and society. In the American humanitarian tradition the firm was conceptualized as a family, whereby the Christian, philanthropic employer is like a benevolent father to his employees. In the German tradition, in contrast, the

TABLE 1
Industrial Democracy Discourse in the 19th Century: Cross-Country Differences

Approaches to ID	Germany	United States
Humanitarian	Human dignity of workers through moral education in firms; firm = moral institution	Human dignity through philanthropic employers, Christian notion of helping the poor; firm = family
Communitarian	Economy as network of associations and guilds	Nationalization of economy, cooperative firms
Constitutional	Firm = quasi-public affair; community relations – workers should have legal rights to participate in firm decision-making	Firm = private affair; contractual relations – workers should rely on unions' free collective bargaining

firm was perceived as a moral institution, and the assumption was that workers were in need of being morally educated and that the firm was able to play a significant role and was therefore – among other things – seen as an instrument of society to integrate and civilize workers.

These differences become more prevalent in the ‘constitutional’ approach: a legalistic, state-oriented approach developed in Germany (codetermination) and a free collective bargaining approach in the US (and eventually voluntary, employer-led direct participation schemes). Both traditions are based on two distinct ideational patterns of ID which I call ‘contractual’ and ‘communal’. In essence, the US regarded the capitalist enterprise as a ‘private affair’ (firm as private property) and the economy as an assembly of free individuals joining in contractual relationships. Private contracts rule. ID therefore focused on free unions and free collective bargaining. In Germany, the main understanding was to perceive the firm as a quasi-public affair, as a social community, a state within the state, a constitutional monarchy, where workers would receive certain democratic rights and the monarch/owner would not have absolute power as in a constitutional monarchy. ‘The employment relationship is not seen as one of free subordination [as in the US] but of democratization.’ This was the declaration of the famous Weimar labour law scholar, Hugo Sinzheimer (quoted in Finkin, 2002: 621). One could also say that the US focused on ‘private contracts’ whereas Germany focused on a ‘social contract’ within the firm, to adopt Rousseau’s phrase.

The distinction between a private and public view of the firm, which has a clear reminiscence of the mechanical and organic state theories, is also related to the distinction of individual vs collective rights and exit vs voice options in labour law (whereby the US emphasizes individual and exit rights and Germany favours collective and voice rights). It also relates to different legal approaches to personality rights in both countries. For example, as Finkin (2002) points out, the German idea of labour relations being a quasi-public affair led to strong personality laws securing the human dignity and privacy of individual workers at work, whereas in the US state responsibility ends in the securing of private property and freedom of contract. Thus, the quasi-public nature of the firm and of workplace relations asks the German state to guarantee not just collective but also individual rights at work, whereas in

the US the quasi-private nature of the firm limits the state's intervention. One can conclude therefore that democracy in the US is conceptualized mainly at a political level and has no real place in economic life, where democracy is limited to certain basic individual rights and a minimum of collective rights (e.g. constitutional rights against race/gender discrimination, free labour contracts and collective bargaining). In other words, the individual has only very limited rights at work, the main right being to be in a free contractual relationship and therefore to be able to leave the contract. In contrast, in Germany ID has been much more linked to the development of political democracy and has legally restrained managerial discretion.

In sum, this article proposed that in order to explain different practices and successes of ID across countries it is sensible to consider not only variations in industrial relations institutions and actors' strategies but also the historically embedded national discourse on democracy at work. The historical overview of both countries revealed that the different state philosophies as they developed in Germany and the US during the 19th century shaped the perception of the capitalist firm in the developing democracies and subsequently the conception of ID. In short, organic state theories with their emphasis on the community and the importance of the state to secure an orderly and moral social life perceived the modern firm as part of the societal community and hence under the surveillance of the democratic state. In contrast, mechanical state theories focused on securing free interaction between individuals in a democratic society with a minimum role of the state and hence the firm came to be seen as a private good which should be essentially governed by free contracts.

Recognizing the ideational embeddedness of ID does not of course advocate historical determinism. It may, however, enhance our understanding of why, for example, attempts to extend democracy at US workplaces are likely to fail as long as the public discourse continues to be shaped by the conviction that the capitalist firm is ultimately a private affair and that democratic participatory rights are essentially bound to the political sphere and are not legitimate at the workplace.

Notes

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1. I use 'Germany' throughout the historical periods of the 19th century though Germany obviously did not exist as a state entity until 1871 (German unification under Bismarck); before then Metternich's Deutsche Bund consisted of 39 states.

2. Art. III Fabrikordnung ('Entwurf einer Gewerbeordnung fuer das dt Reich', Von Degenkolb, Veit, Becker, Lette, in *Verhandlungen der dt. verfassungsgebenden Reichsversammlung* aaO, Bd2.):

para 42: Each factory elects a factory committee including: a) one member of each working group of workers; b) one Meister of each group, both elected by workers; c) factory owner or representative.

para 43: The committee has the following tasks: 1. arbitration of conflicts between workers and employer; 2. creating a factory constitution and managing it; 3. establishment and management of healthcare system; 4. care of the children of workers; 5. representation of the factory in the 'Fabrikräte' (all factory committees of one industry elect an industry committee which for example determines working time, firing periods).

3. The 15 goals of their constitution did not include any radical requests for workers' control of the economy. It asked for a fair share of wealth and more leisure, an eight-hour working day, no child work, arbitration rather than strikes, producer and consumer cooperatives, removal of laws that are not equal for capital and labour, and laws requiring weekly payment of wages in lawful money.

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