**Objecting to the Profit System:**

**The Demandingness of Systematic Critique**

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**Abstract:** This article introduces the Normative Representativeness Requirement (NRR) on any moral objection to a decentralized, profit-oriented system of political economy. I develop and defend the NRR and then show why the most important recent critique of the profit system—which I call The Moderate Critique (developed by, for instance, Elizabeth Anderson)—fails to meet the NRR. This article also defends the radical claim that *no* objection to the profit system itself, rather than just key aspects or salient instances of it, succeeds in meeting the NRR. Critics of the profit system should not seek an alternative to the profit system, but, at most, an alternative within it.

**Key Words:** profitable business, Elizabeth Anderson, worker domination, capitalism, worker exploitation.

Despite catalyzing major gains in prosperity in recent centuries for rich and poor alike, our political-economic system, in which profit-seeking firms compete in the marketplace, remains a perpetual target of moral criticism.[[1]](#endnote-1) But how difficult *is it* to mount a successful moral objection to the profit system itself? Objectors appeal to seemingly endless examples of firms doing bad things: exploiting or degrading workers (Anderson 2017; Marx 1867), damaging cultures and communities (Deneen 2018), and embracing bad values (Cohen 2009, Sandel 2012).[[2]](#endnote-2) We also see many firms illicitly gaining favor from the state, deceiving consumers, and much else besides. Yet, despite scholars’ awareness of various kinds of unethical business, a key *meta-*question has rarely been asked, let alone answered: What is required of a successful moral objection to the profit system itself?

By the “profit system” I will mean, more precisely: A decentralized political-economic system of legally backed voluntary exchange in which firms, usually hierarchically structured, acquire, use, develop, and distribute resources while competing with each other for profit.[[3]](#endnote-3) (One can think of the profit system as a form of “capitalism,” though that term seems loaded beyond repair.[[4]](#endnote-4)) Focusing on shareholder capitalism as a version of the profit system in connection with Anderson’s (2017) influential analysis, I shall argue that most criticisms of this system do not clearly indict it (which I will sometimes call “the” profit system), but only problematic features of particular firms or industries within it. And yet, teachers and scholars often discuss the profit system in a way that presupposes we can morally evaluate and condemn the system itself. Indeed, most opponents of the profit system pursue a cumulative strategy: They present considerable evidence of *particular cases* (or kinds of cases) of unethical firm behavior (or rights violations or bad consequences of firms or markets) and then move quickly from adducing this evidence to endorsing *general* judgments about the profit system itself.[[5]](#endnote-5) Whether such judgmentsgeneralize to the whole system is, however, highly questionable. In principle, we may be able to marshal inductive evidence in an effort to morally evaluate the entire profit system, but attempts to do so have been flawed.

This article has the following structure. I first describe the profit system and argue that any sufficient moral objection to it must meet what I call the Normative Representativeness Requirement (NRR). After this I discuss a recent criticism of the profit system that I call *The Moderate Critique*. I ask whether this argument, whichhas received substantial attention in business ethics journals (e.g., Blanc 2018; Ciulla 2019), satisfies the NRR. I show that The Moderate Critique, especially as Anderson (2017) develops it, is promising in some respects but ultimately fails as a moral argument against the profit system. Critics of the profit system—though I, too, reject aspects of it—should not be seeking *an alternative* *to* the profit system, but, at most, an *alternative within* it.[[6]](#endnote-6)

My argument will focus on our capacity to provide a justified moral diagnosis (or evaluation) of the profit system, rather than on the merits of its different versions or of proposed reforms. This argument is at once modest and radical—*modest* because its main aim is just to explicate the conditions of a conclusive objection to the profit system, and consider whether some leading accounts meet these conditions; and *radical* because it will show that *no* objection can succeed without meeting these conditions, and, perhaps, none does.[[7]](#endnote-7)

**I. The Profit System**

In its most general form, what I call “the profit system” is pithily described as “a system based on private ownership of the means of production in the pursuit of profit” (Gibelyou and Northrop 2021: 271). In this system, “means of production” are “facilities and implements useful for producing goods and services of economic value, including machinery, tools, and raw materials, in addition to human labor” (Gibelyou and Northrop 2021: 271-272). Firms in the profit system are embedded in a rich latticework of rules and norms, both formal (e.g., rules in contract law) and informal (e.g., cultural norms of fair dealing).

Yet, there is not one profit system but several *systems*. Prominent examples today include, on the one hand, the United States’ system of hierarchically structured firms (our specific focus herein), with mostly top-down decision-making, and, on the other, the German system of codetermination (or worker participation or co-partnership), in which it is common for workers to sit on boards of directors and bargain collectively with management to set strategic agendas (McGaughey 2017; Page 2009). Whereas major multinational corporations typically concentrate decision-making authority at the top of a hierarchy, worker-owned cooperative firms diffuse such authority (Prychitko and Vanek 1996, Easterbrook and Fischel 1996). Workers enter a scheme of codetermination or joint management with representatives of capital investors, rather than the latter group alone governing the firm. In these different systems, firms arguably are not mere nexuses of contracts (Jensen and Meckling 1976) but instead diversely functional legal “persons” with variable operations and structures (Blair 2012; Cremers 2017: 713-714).[[8]](#endnote-8)

Within and across different political-economic systems, firms’ employment agreements and operational agendas, as well as their cultural, social, economic, and legal contexts (and combinations of these), vary considerably. The diversity of market societies and the many firms within them arises largely, then, from the content and uptake of relevant norms around advertising, bribery, collusion, deal flow, networking, promise-keeping, and so on. It also, however, owes to firms’ having different extents, kinds, and distributions of connections with other markets, diverse ways of coordinating and controlling resources, and myriad relations to government policies (e.g., tax codes, regulations, disclosure and compliance requirements). Finally, since firms in the modern profit system often have nonowner managers, they face diverse principal-agent problems, as when managers deviate from profit maximization, the usual preference of shareholders, to pursue competing aims qua nonowners (Gaus 2009).

**II.****A Requirement of All Moral Objections to the Profit System**

Although moral criticism of today’s firms is justified in some—or, alas, many—cases, I shall argue that we often cannot know whether such criticism scales up to the *whole* profit system. Before I develop this argument, an important qualification bears note. This article is not mainly concerned with questions such as, “Should a citizenry or legislature switch from a U.S.-style (“shareholder”) profit system to a German-style (“codetermination”) profit system, or vice versa?” Our chief concern instead is to probe the epistemic justification for the *moral diagnosis* that a society’s system of firm governance is itself morally objectionable. And to argue for (a) the heightened difficulty of morally diagnosing a profit system (e.g., shareholder capitalism) is not to say that (b) moving from one kind of profit system to another is never morally justified. My argument *will* imply, however, that calls to replace or radically reform a system of firm governance have a greater risk of being made overconfidently if that system is hard or impossible to morally evaluate. For I will be indicating difficulties in such moral diagnosis, on which calls for reform are largely based.[[9]](#endnote-9) Nevertheless, a heightened risk is not *ipso facto* a risk not worth taking. Action in the face of deep uncertainty is an ineluctable aspect of human social life, and it is sometimes better to pursue risky reform than to do nothing and default to the status quo.

How, then, can one morally diagnose a system of political economy? How can one successfully develop a system-level moral objection? I contend that a successful moral objection to the profit system must satisfy two conditions:

(1) It addresses a representative sample of firms.

(2) It shows that this sample is unethical overall.

(1) and (2) are necessary conditions that constitute what I call the *Normative Representativeness Requirement* (NRR) of successful objections to the profit system. To be rationally confident that a moral objection to the profit system succeeds, one must first know that it satisfies the NRR.[[10]](#endnote-10)

As we will see, knowing (1) and (2) is difficult at best because of the marvelous and multifarious complexity of the profit system. For we are dealing with (a) a system of tens of millions of firms (SBA 2021) that is (b) operated by human beings whose brains are the most complex objects in the known universe (Koch 2018: S12) and (c) nestled within human societies, which are perhaps the most complex entities in the known universe (Christian 2004: 506; cf. Gibelyou and Northrop 2021: 92). To mount a strong moral argument against the complex profit system, it consequently is not enough to cite some—or even very many—instances of morally objectionable behaviors or institutions. An adequately comprehensive moral objection to the system instead requires a *representative sample*. Which is to say, the requirement of representativeness so commonly associated with descriptive analysis also applies, so I suggest, to moral evaluation. If a single firm in a 100-firm set is grievously unethical, or 30 firms therein are unethical in some important respect, the set as a whole will not necessarily be unethical.[[11]](#endnote-11) In such cases, our capacity rationally to sustain a moral judgment against a large and complex group of firms is thwarted.

Central to condition (1) of the NRR is the idea that an objection to the profit system cannot fall prey to the knowledge-undermining fallacy of hasty generalization.[[12]](#endnote-12) To see why, suppose that you see a couple dozen sports cars on the road and 20 are driving far too fast, endangering others. You thereby gain some inductive evidence that *sports car drivers* tend to put others at risk. However, as the target of your generalization widens, your observation becomes less evidentially valuable. For suppose we expand the target of your generalization from (a) the set of sports cars you just saw to the set of all sports cars in your (b) community, (c) state/province, (d), country, or (e) world. Sample (a) *might* also be an adequately representative sample of (b), but perhaps only if you saw at least, say, 20 of 50 sports cars in your community. Sample (a) would likely provide an unrepresentative sample of (c), though perhaps still useful data, if, say, you saw just 20 of 5,000 sports cars in your state or province. By contrast, sample (a) provides minimal data for generalizing about (d) if, say, you saw 20 of the 50,000 sports cars in your country. Likewise for (e) if you saw, for instance, only 20 of the millions of sports cars in the world. Now, given the over 30 million firms in the United States (SBA 2021) and their diverse sizes, scopes, and operations, we will ask: Do the many examples of unethical firms cited by scholars and the public generalize to the set of over 30 million firms, permitting rational indictment of the profit *system* itself?[[13]](#endnote-13)

**III. The Moderate Critique**

Unlike radical critics of the profit system (e.g., Marx 1867, Cohen 2009, Piketty 2014), authors such as Anderson (2017) and Sandel (2012) promote what I call “The Moderate Critique.” The Moderate Critique is often sensitive to important differences in the authority structures of today’s millions of diverse for-profit firms. Some firms implement (1) *codetermination models* of authority, where boards of directors include not only shareholder representatives but employee representatives as well.[[14]](#endnote-14) Other firms are (2) *consumer or worker cooperatives*, in which consumers cast votes to select boards of directors, workers elect their firm’s leaders, and/or workers vote to influence operational or personnel decisions.[[15]](#endnote-15) Let us call the aforesaid firms *type-1* *firms* and *type-2 firms*. Still other firms (3) do not give workers voting rights to select board members or influence key decisions, but embrace a traditional structure of firm authority. These numerous firms leave most employees subject to the authority of their immediate supervisors, who are themselves subject to the authority of others up the chain. I shall call these *type-3 authority structures*, and firms that have them, *type-3 firms*.

Elizabeth Anderson (2017) holds that firms with type-3 authority structures should be replaced by firms with type-1 and type-2 authority structures.[[16]](#endnote-16) Yet the main aim of her influential recent book, *Private Government: How Employers Rule Our Lives (And Why We Don’t Talk About It*), is to show how employers are dictatorial and why this is a grave moral problem. What she offers is thus a *moral diagnosis* of the system of type-3 firms. I shall focus on it rather than her proposal to overhaul the system. Since Anderson argues that dictatorial employment relations in fact pervade millions of firms, her critique is fairly radical.[[17]](#endnote-17) I call it “moderate” only to mark it off from an even more radical critique.Whereas Marx and Engels (1948 [1848]), Marx (1867), Cohen (2009), Piketty (2014), and others object to the whole profit system, arguing that it is thoroughly immoral and calling for an alternative *to* it, Anderson objects to a particular form of the system (the type-3 form) and calls for an alternative *within* it (e.g., a shift to German-style codetermination).[[18]](#endnote-18) Unlike radical critics, Anderson does not critique profit-seeking behavior itself so much as the authority structures of the millions of type-3 firms in today’s capitalistic societies. These structures, she claims, permit objectionable power relations between workers and bosses.[[19]](#endnote-19)As I will discuss, not only Anderson’s criticism of type-3 firms but also others’ criticisms of certain firm activities and sales behavior (e.g., Sandel 2012) depend markedly on the questionable claim that they target a sufficiently representative sample of unethical firms, satisfying the NRR. To say this is not to imply that Anderson (2017: 143) either is or is not mistaken to favor a shift from the type-3 system to a codetermination model or some other. My topic is not the relative merits of such systems per se but our capacity for system-wide moral diagnosis, with the type-3 system that Anderson discusses as our focal example.

Anderson is not opposed to markets of some form, such as those championed by the Levelers of seventeenth century England.[[20]](#endnote-20) What she rejects as immoral is the system of hierarchical for-profit firms as it exists today. What I have called “the profit system,” she says, particularly as present in the U.S. today, suffers from a pervasive and unaccountable hierarchy. Anderson (2017: 37-38) explains why she believes this system is, in short, a bastion of oppressive authority relations:

Imagine a government that assigns almost everyone a superior whom they must obey. Although superiors give most inferiors a routine to follow, there is no rule of law. Orders may be arbitrary and can change any time, without prior notice or opportunity to appeal. Superiors are unaccountable to those they order around. They are neither elected nor removable by their inferiors. Inferiors have no right to complain in court about how they are being treated, except in a few narrowly defined cases. . . . The most highly ranked individual takes no orders but issues many. The lowest-ranked may have their bodily movements and speech minutely regulated for most of the day. . . . This government does not recognize a personal or private sphere of autonomy free from sanction. It may prescribe a dress code and forbid certain hairstyles. Everyone lives under surveillance, to ensure that they are complying with orders.[[21]](#endnote-21)

Now, Anderson adds (2017: 39; italics mine), “most people in the United States . . . work *under* *just such a government*: it is the modern workplace, as it exists for most establishments in the United States. The dictator is the chief executive officer (CEO), superiors are managers, subordinates are workers.” Consequently, we are told, “[m]ost workers in the United States are governed by communist dictatorships in their work lives” (2017: 39; see also 62). Workers are subject to “private government,” the book’s central titular phrase, by which Anderson means not only government in the private sector but also—and primarily—government *kept private* from the governed. Firms exercise private government when a select few employees within them have nearly unaccountable (or “dictatorial”) power over the firm’s factors of production, including labor (2017: 41-45).

So, whereas some scholars (e.g., Cohen 2009, Sandel 2012, Satz 2010) focus largely on market exchanges within capitalism, Anderson focuses mostly on power structures within hierarchical firms. Anderson’s powerful argument for the immorality of type-3 firms can be schematized essentially as follows:

P1: Most or nearly all type-3 firms today have top-down, hierarchical governance structures.

P2: A firm’s governance structure is dictatorial and, hence, immoral, if a few people control the firm’s means of production and exercise unaccountable power over others, leaving others subject to their arbitrary wills.

P3: Most or nearly all firms today have such power structures.

Conclusion: Most type-3 firms today are dictatorial and, thus, immoral.

To provide evidence for this argument, Anderson (2017: 63) cites studies showing that 25 percent of employees “understand that they are subject to dictatorship at work.” Worse still, she says (Anderson 2017: 63; 161-162, fn. 38), another “55 percent or so [. . .] are neither securely self-employed nor upper-level managers, nor the tiny elite tier of nonmanagerial stars (athletes, entertainers, superstar academics).” These employees are “*only one arbitrary and oppressive managerial decision away* from realizing what the 25 percent already know.” Anderson thus contends that fully 80 percent of employees—a large majority in the profit system—work within a hierarchical authority structure under dictators who possess and exercise, or easily *could* exercise, oppressive authority. If so, this would seem to satisfy the NRR’s two criteria of identifying (1) a normatively representative sample of firms (2) that is unethical overall.

Notably, Anderson is not discussing only firms that instantiate oppressive or dominating forms of hierarchical authority. On my reading, her chief concern is that traditional, hierarchical firms are constitutionally *capable* of subjecting their workers to unjustified workplace treatment and thus exercise morally objectionable authority. Without the authority-checking features of cooperative or co-determinative firms (e.g., employee representation on boards of directors, consumer voting for boards), type-3 firms have the power to enact, with the mere imprimatur of management, policies that oppress non-powerful employees. Anderson (2017: 64) accordingly sees the employment conditions of such firms as characterized by a “state of” small-r “republic unfreedom, of subjection to the arbitrary will of another” (see also Pettit 1997; Anderson 2018). Anderson is not concernedmerely that such firms could *behave* unethically due to their authority structures. Nor is she objecting to the fact that many firms do so (though she emphasizes this, as we will see). Rather, her objection is that such firms *are* unethical due to how authority is constituted and shared within them. This authority is objectionably mis-constituted, whether or not it is presently being misused. For a firm that subjects employees to continual risk, whether realized or not, of arbitrarily used authority is *ipso facto* unethical. It is thus not strictly necessary, but still sufficient, says Anderson, for a type-3 firm to exercise its capacity to use authority arbitrarily over its employees for that firm’s authority to be unethical.

One might analogize the case of a type-3 firm to that of a person pointing a gun towards another person and thereby posing a threat. Absent excusing conditions such as the need to defend against a grave and immediate threat, taking this posture towards a person is immoral. This is so even if the gun-wielder knows she will not pull the trigger and even if the gun is not loaded. Of course, firms that can arbitrarily fire or discipline employees do not usually put employees in mortal danger. Anderson argues, however, that such firms possess unjustified power to set back employees’ interests in significant ways.

Anderson marshals considerable statistical support for the general immorality of type-3 firms, citing worrisome trends across whole capitalistic industries. She says that 93 percent of garment factories in southern California violated labor laws, including by introducing “sweatshop-like conditions” (call this case *Sweatshop*); “90 percent of surveyed restaurant workers report being subject to sexual harassment” (*Sexual Harassment*); 67 percent of surveyed practitioners in occupational health are hesitant to report illness or injury for fear of facing disciplinary action as a result (*Disciplinary Action*); and many workers in the poultry industry are denied bathroom breaks and required to wear diapers lest they micturate on themselves (*Diapers*) (2017: 135-136).[[22]](#endnote-22) These cases—Sweatshop, Sexual Harassment, Disciplinary Action, Diapers—are, no doubt, morally troubling. We can question the data, of course. We can ask what counts or should count as sweatshop-like conditions, sexual harassment, or fear of disciplinary action, and how bad the disciplinary action would be. Yet we seem here to have a strong case for the claim that The Moderate Critique satisfies the NRR, especially given that “many *millions* of workers suffer harassment, abuse, disrespect, and severe constraints on their autonomy” (Anderson 2017: 137-138, italics mine; see also 134-136).[[23]](#endnote-23)

**IV. Does the Moderate Critique Satisfy the NRR?**

Employers who behave like those in the cases Anderson describes display grievous immorality. These type-3 firms treat their employees as inferiors, imposing on them an imperious corporate governance that is arbitrary, controlling, and dehumanizing. Such abuses warrant remediation at the firm or legal level. Still, to consider whether an account such as Anderson’s satisfies the NRR, it must be asked: *How many* firms put their workers at serious risk of abuse?[[24]](#endnote-24) And what follows from this, if anything, about the moral valence of the profit system itself?

I will now argue that, due to the complexity, diversity, and sheer size of the profit system, it is rather difficult to arrive at a reliable, high-confidence diagnosis of the morality of the system of firm governance under U.S.-style shareholder capitalism. This is important because we want to *know* whether our system of firm governance across millions of firms is moral. And however moral it is, presumably we want to make it *more* moral. But an important qualification bears note before the account begins. Whether governance structures within a complex, multimodal system of millions of firms ought to be reformed will depend importantly, it is true, on whether prospective reformers have the correct moral diagnosis. However, factors such as the nature of available alternatives, the likelihood of success and, distinctly, the risk of (and value of avoiding) a major negative outcome will matter significantly as well (Robson 2019: 123). So when I argue that we should be less confident of the immorality of the type-3 system than Anderson lets on, I will not be implying, alongside, that proposals for system-wide reform therefore lack justification. Rather, all else equal, reforms should be made less confidently and, perhaps, more cautiously—a claim far different from saying that reforms should not be made at all. Let us consider, then, whether a judgment of the immorality of the system of type-3 firms is justified, understanding that this judgment can be helpful for, but is not the only factor in, a consideration of whether to pursue reform.[[25]](#endnote-25)

To begin with, Anderson is quite right that many asymmetric power relationships between employers and employees exist and some are deeply problematic. Economies of scale naturally seem to push a free market system with relatively little hierarchy (only spot exchanges, etc.) in a more hierarchical direction. Type-3 firms emerge in which command structures are introduced to minimize transaction costs, giving rise to present authority structures within firms.[[26]](#endnote-26) Further, since type-3 firms are often more hierarchical than other kinds of firms and markets, it is natural and appropriate to worry that supervisors within these firms might not only possess but also be disproportionately disposed to abuse their authority.[[27]](#endnote-27) As Gaus (2009: 91; italics mine) observes:

The division of labor in the market is based on individual producers and consumers, each contracting with each other; one’s reward is directly based on one’s production of what others want. The division of labor in the firm is *very different*. It is based on a central coordinator—*the boss*—who decides the relevant targets, and then designs systems that divide up tasks in order to achieve the goals.

Anderson (2017) shows, compellingly in my view, that many such bosses abuse their authority, sometimes outrageously. She also argues (2017: 71, 134-138, 143) that to prevent such abuse, many firms should adopt alternative constitutional structures that give workers more authority.

This is all fair enough. Many firms are immoral. And many should adopt major reforms. Even so, it is crucial to see that arguments such as Anderson’s claim to target the *whole system* of type-3 firms, and not merely the practices of *particular* firms. I will counterargue, accordingly, that such arguments are evidentially uncalibrated to the overall phenomena. The arguments are evidentially insufficient to establish a diagnosis that the system of type-3 firms is immoral overall. In fact, even if the profit system is morally objectionable *overall* qua system, my argument will imply that we likely do not, and maybe even cannot, know it is.

I will soon show, in particular, that Anderson’s account does not satisfy the NRR because it fails to provide a representative picture of type-3 firms. Representativeness, however, is a crucial desideratum of such an account, one that she and others recognize as important and believe they have satisfied. Accordingly it is perfectly compatible to accept Anderson’s overall argument in *Private Government* as insightful and important—a window into many *particular* cases of abuse—while accepting, as a scope-limiting account, my argument that Anderson’s republican objections apply, at best, to an uncertain scope and number of firms. For, on reflection, abusive type-3 firms in fact constitute a rather limited part of the profit system.

Anderson worries specifically about three senses in which the profit system of type-3 firms might be objectionably imperious:

(a) by including invasive policies or issuing reprisals or other enforced commands that arbitrarily restrain workers;

(b) by including policies or practices that do or readily could institute a climate of fear (as when workers constantly worry about bosses imposing one-off, high-cost events); and

(c) by having an unrestrained or absolute constitution that positions the firm to have a significant chance of eventually doing (a) or (b).

Now suppose, *arguendo*, that we have a type-3 firm that satisfies criteria (a), (b), and (c). I contend that even this firm will not necessarily satisfy the NRR qua *whole* firm. Even if numerous firms met these criteria, a theorist adverting to that fact would then not necessarily be in a position to impugn the profit system fully or even in a large part. Much as an awareness of a person’s defect in moral character need not commit us to a negative moral judgment about the person as such and all-things-considered, an awareness of a notable defect in a large firm (or system of firms) does not entail that the firm (or its broader system) is immoral all-things-considered. The next section considers in more depth how epistemically well-positioned we are to provide a moral diagnosis of the type-3 system.

**V. The Moderate Critique and the “Representativeness” Requirement of the NRR**

A powerful Moderate Critique requires at least two kinds of knowledge:

1. Knowledge of how bad and how common abuses are in workers’ total experiences in firms.
2. Knowledge of whether workers in their own, particular contexts have meaningful exit rights within a reasonable time period after any abuses begin.

Without a full set of evidence furnishing such knowledge, we likely will be unable to gauge the true amount, kinds, and degrees of abuse that Anderson and others claim pervade the profit system. Sufficient evidence has not been provided, however. I will argue that we need more evidence of actual abuses to substantiate a moral condemnation of the type-3 system.[[28]](#endnote-28) I will also show why the claimed near ubiquity of, say, bosses with “arbitrary power” (aside from any use of it) across firms is more debatable than many believe.

How, then, do we know that sufficient evidence has not been provided? To begin with, there are 30 million firms in the United States and many millions more around the world (SBA 2021). Commerce is everywhere in our world as millions of “exchanges happen . . . every day—or, perhaps, every *minute*” (Robson 2021). Hence it is no surprise that, among millions of exchanges (and even millions of *firms*), there are many oppressive rules or practices. But what, epistemically, does an awareness of many abuses entitle us to argue?

It is tempting to move from Anderson’s statistics and associated argumentation to a sense that we are entitled to assume that we have the *overall* knowledge needed to show that the type-3 profit system is dictatorial as now constituted. But are we? Let us consider whether, on a natural understanding of Anderson’s argument and its implications, her notable claims of workplace abuse entitle us to draw conclusions about (a) a *particular firm’s* work environment; (b) more ambitiously, whole classes of a certain *kind* of firm (e.g., all car dealerships); and (c) even more ambitiously, a whole *set* of workplace relations within diverse kinds of firms (e.g., car dealers, e-retailers, grocers, software companies, and *all* other firms) across society—in short, employment relations throughout the whole profit system. Call these conclusions “type-a,” “type-b,” and “type-c” conclusions.

Anderson cites several studies to back her provocative conclusion that 80% of hierarchical, type-(c) firms are dictatorial. But here as elsewhere statistics easily mislead.[[29]](#endnote-29) Take, for example, the study reporting that 93 percent of garment factories in southern California violated labor laws, including “sweatshop-like conditions.” While such studies are potentially very worrisome, to evaluate them, we must first know the full fact pattern. As this case is discussed, we do not even know whether *garment firms themselves* are dictatorial (a type-b conclusion), let alone whether the entire diverse set of 30 million-plus firms across the United States is itself dictatorial (a type-c conclusion). First, we must ascertain the relevant fact pattern. Critically here, California is one of many states with garment factories or firms materially involved in the national garment supply chain. To sustain Anderson’s type-c conclusion (about type-3 firms), we need to know: What is happening in these other states? What’s happening in the central and northern regions of the massive, populous state of California? Are these places violating labor laws? If so, how many and which ones? And in southern California, a hub of garment production, are those factories that violate labor laws violating on average one, perhaps overly strict, law, or, say, 20 important labor laws? We need to know but are not told. Questions are not arguments, but we need answers for a defense of Anderson’s moral diagnosis of type-(c) firms to go through.

But suppose for argument’s sake that, despite the above questioning and the great diversity of both firms and their social, cultural, and legal contexts, we somehow managed to acquire the requisite, statistically backed knowledge to sustain Anderson’s account. Would this knowledge itself be enough? What else, if anything, would we need to know to see whether the profit system itself, with its millions of type-3 firms, is dictatorial overall?[[30]](#endnote-30)

One answer: Knowledge of applicable principles and relevant facts. An important kind of factual knowledge to consider in this vein is *local knowledge*, which Hayek (2014: 95) describes as knowledge of “the particular circumstances of time and place.” If we are to answer the above questions satisfactorily, we would need not only adequate statistical knowledge but also considerable local knowledgeof firms’ activities and employees’ experiences—knowledge not acquirable at a distance. To see why, take Anderson’s claim (2017: 63; 161-162, fn. 38) that, among employees, “55 percent or so [. . .] are neither securely self-employed nor upper-level managers, nor the tiny elite tier of nonmanagerial stars (athletes, entertainers, superstar academics)” and, thus, “only one arbitrary and oppressive managerial decision away from realizing what the 25 percent [of employees who say their bosses are dictators] already know.” How do we know this? The statistic might be true in some sense; in citing it, however, Anderson leaves *people* out of her analysis in an important sense. Let me explain.

Suppose, for instance, that bosses who reportedly do affect 25% of (surveyed) employees and could affect 55% more tend to be *good people*. This would be something that is confirmable only in-person by local, on-the-job experience, rather than by statistics that coldly interpret and summarize data. If such bosses are, say, good people on the whole, then they will rarely if ever make an arbitrary and thus immoral decision on an issue with very high stakes for their employees. The good (or at least normal, presumably fairly reasonable) character of many bosses is, of course, no guarantee that firms will be ethical. Other personnel, or the firm’s structure or norms, can also make a firm unethical, as can a boss who makes well-intentioned but incompetent decisions.[[31]](#endnote-31) Even so, if managers’ moral characters include hardened dispositions to treat others well, these dispositions—or moral virtues—will not easily countenance treating others in arbitrary or other immoral ways. For when it comes to interpersonal treatment, there is no substitute for virtue; and to assume that most bosses of the 80% of employees to which Anderson refers would, say, viciously discipline or terminate employees on a whim, is arguably to smuggle in an unduly cynical view of managerial psychology. Like any cooperative human enterprise, firms require human relationships of trust; and redesigning firm authority structures or corporate law will never negate the need for *people* to depend upon and trust one another in deep ways. So although Anderson is quite right that oppression can result from how a firm is constituted, authority-wise, in addition to how it actually exercises authority, we have on reflection a weighty reason here to think that the constitution claim is less worrisome than it might at first seem.

Consider, after all, the power that so many people have in our lives continually. Many people see spousal relations as the pinnacle of free and fitting love unblemished by oppressive immorality. Yet, at any moment, a spouse *could* act or begin acting (as some do) in ways that would destroy their spouse’s life path. A spouse could leave one, steal or misuse their spouse’s shared wealth, or become perpetually undevoted. Or a spouse could suddenly become persistently pesky, stubborn, or mean. Even so, a widely held view is that spousal relations today are usually not constitutionally oppressive.[[32]](#endnote-32) So if most managers are—perhaps like most spouses—not perfect, but fairly good, caring, and competent, then the idea that 55% of employees are on the brink of subjection to a boss’s harmful, arbitrary decision is likely a substantial overestimate. And if spouses’ capacity to destroy each other’s lives is, on most accounts, no reason to consider marriage oppressive as an institution, a firm’s capacity to terminate or set back the interests of its employees is arguably, in parallel, not a particularly weighty reason to consider the whole set of over 30 million type-3 firms constitutionally oppressive.

The evidence Anderson helpfully provides warrants further questioning. To begin with, the statement that 25% of workers see themselves as subject to oppressive workplace dictatorship is based on samples of what workers report. But suppose workers are asked a seemingly simple question: “Are you satisfied or unsatisfied with how your boss treats you?” What mental processes might workers rely on when responding? There is a good chance that respondents will rely on an “availability heuristic,” calling to mind particular good or bad experiences. But these memories, even if entirely accurate, may or may not berepresentative of the overall treatment. If the instances recalled are vivid (and thus more memorable), workers might well call to mind a real pattern of abuse. Alternatively, workers might recall rare or even one-off cases, and thus not think in a way that is representative of their general experiences over years or decades. How, then, are employees answering? How many employees to whom Anderson refers have provided answers that are truly indicative of their overall experience at their firms? We do not—and perhaps cannot—know.

There are other, potentially large impediments to a full moral evaluation of the system of firm governance on the basis of Anderson’s statistics and associated argumentation. Consider a framing issue. If a study reports that nearly all workers in industry X predictably experience three bad events related to how their boss treats them, one naturally might claim that this is morally concerning. But the backdrop matters. Is this claim relative to (A) a set of 20 relevant events per year? Or, say, (B) 11,981 events? We can probably safely assume that we are talking about employees who work roughly 2,000 hours (50 weeks, 40 hours per week) each year. If so, then in (A), unless the bad events are extremely bad, this report will now seem far more ordinary and less worrisome. It may even turn out to be positive. In baseball, a hitter who strikes out 15 times will be rather bad, all else equal, if the hitter has 20 at-bats; however, the person could be an all-star slugger if the 15 strikeouts happen in 600 at-bats.

There are semantic barriers, as well, to a full evaluation of the major statistics Anderson cites. Anderson argues that firms are oppressively dictatorial because 25% of employees see their bosses as *dictators* and the other 55% are “only one *arbitrary* and *oppressive* managerial decision away from realizing what the 25 percent already know” (2017: 63; 161-162 fn. 38; italics mine). But in which sense (or senses) do the respondents *see* their bosses as dictators? Surely some respondents are, say, not mature enough to realize that if a boss demands punctuality and productivity, this should not be seen as mistreatment but leadership. But suppose, *arguendo*, that nearly all such claims of workplace dictatorship are not based on such misinterpretation. Even so, other semantic issues might infect respondents’ attempts to understand the meaning and referent of key terms such as “dictatorship,” “oppressive,” and “arbitrary,” italicized above.[[33]](#endnote-33) We must know the details here if we are to hold that a person’s *seeing* their boss as a dictator rises to the level of *knowing* that their boss is, in fact, a dictator.

An example is telling. Consider the claim that employees are stuck under the yolk of *arbitrary* management. “Arbitrary” power in a firm could mean many things. It could refer to power (*i*) not used in accordance with a previously stated rule; (*ii*) used under previously given systematic discretion; (*iii*) used without a stated justification; (*iv*) used with no basis for appeal; or (v) used just plain badly or wrongly. So, is the “arbitrariness” Anderson laments “dictatorial?” This is hard to say. Suppose a boss “arbitrarily” uses her authority to discipline or terminate an employee without appeal, as in sense (*iv*), or makes a tough discretionary call that adversely affects some employees, as in sense (*ii*). These uses of authority are arbitrary but need not be dictatorial. A boss might, for instance, “arbitrarily” fire an employee in sense (*iv*) if the employee has sexually harassed another employee. This firing would not be dictatorial. And in most organizations, tough calls need to be made on situations that are less clear-cut. The use of authority to make these calls will often not be an *abuse*, let alone a *dictatorial* abuse, especially in an organization where employees know in advance that such calls likely will need to be made.

Consider a case. Suppose you are a CEO and face a budget problem. You can either (A) tell your least productive employee, who is still fairly productive and a good colleague overall, that he must take a major pay cut. Or you can (B) ask, say, 15 employees to each take 5% pay cuts, which would lower your firm’s already-low morale. If you go with (A), that employee and his close associates might *see* you as dictatorial. Still, in a world whose feasible option set is {(A), (B)}, this might be the *right* choice to make. Were you in fact dictatorial? No. Might some employees say so if asked? Yes.

Statistics also fail to capture key facts about numerous firms today, which compete for profits in markets that are anonymous and impersonal. In such markets, whether authority over employees is permissibly deployed will often depend heavily on particular features and contexts of firms that are insusceptible to generic statistical sampling. Statistics will fail to capture such local knowledge (Hayek 2014: 95; Robson 2018), as Cowen (2017) has argued in his brief response essay to *Private Government*.[[34]](#endnote-34) Cowen (2017: 113-14) claims that (i) “corporate impositions on worker dignity aren’t nearly as great as Anderson makes them out to be” and (ii) “we are never told how many such cases of arbitrary firings have occurred or how high their human costs have been.” Cowen is right, but not entirely. Although claim (i) is plausible, it is at least debatable whether Cowen knows this, for the same reason it seems questionable at best that Anderson knows its opposite. More specifically, it is not clear whether Anderson’s account inflates or deflates violations of worker dignity, as Cowen claims, because members of firms have local knowledge of their particular circumstances, including workplace relations, and this knowledge is not well understood by distant scholars or via aggregative statistics. Regarding (ii), however, Cowen is on target. Although Anderson’s reply (2017: 119-144) to Cowen provides some data, we just saw that Anderson has not provided adequate evidence of abusive authority structures throughout the profit system. The following example shows the limits of data of the kind Anderson cites in telling us something meaningful about the incidence of bosses’ dictatorial actions and their real impacts in employees’ lives.

Consider the case of Walmart, which has over two million employees. Suppose for the sake of argument that 50,000 Walmart employees report that they fear being disciplined and, thus, do not take enough sick days. While this itself is a serious moral problem, questions must be asked to fill out the picture. For instance, for how many employees is this fear irrational?[[35]](#endnote-35) Suppose it is a fairly small fraction, 10,000 of the 50,000 (or 20%), and the fear of a large majority of fearful employees (80%) is rationally justified. Next question: How *often* do the employees have this fear? Suppose a fairly small fraction, say 20% of the remaining group, have this fear only once every couple years. Then 32,000 employees remain. Next question: For members of this group, how bad is the fear? Suppose 12,000 experience the fear intermittently, with fairly low intensity, but the fear is frequent and powerful for the other 20,000. Suppose that these 20,000 employees have a serious, rationally appropriate fear of being disciplined by an allegedly dictatorial employer. Now notice: This fear is present in a mere 1% of this firm’s employees: 20,000 of 2,000,000.

Even if Walmart has morally problematic employment practices, and even if many more employees are rationally fearful than the tens of thousands just stipulated, *we do not yet know* how bad and pervasive these practices are. But we manifestly must know this. Otherwise we cannot adequately evaluate the charge of *comprehensive* workplace dictatorship.[[36]](#endnote-36)

So is Walmart or any such large corporation dictatorial? Usually, we will not know. In fact, even if the number were far higher—say, *ten times* or 1000%higher, i.e., 10% of employees—we still would not be sure. *A fortiori*, we arguably cannot know whether the entire market sector (department and discount retail) that includes Walmart is *itself* dictatorial overall, unless considerably more evidence is somehow adduced. What about the whole profit system? “No” here, too.For we do not even know whether a single large firm in that sector of the profit system is dictatorial. To use our earlier terminology, we thus cannot sustain a “type-a” conclusion about Walmart itself (or even its particular divisions), let alone a “type-b” conclusion about the retail sector in which it operates. Still less can we confidently maintain Anderson’s “type-c” conclusion about the whole system of millions of type-3 firms.

It is notable, then, that Anderson uses Walmart as a focal case to show that the profit system is widely oppressive and dictatorial. “Walmart . . . is notorious for assigning unreliable schedules to workers,” she says (2017: 136; see also 179, fn. 27), and a “leading complaint of Walmart workers is rude and abusive managers, who scream at and harass them to get them to work harder.” Now these are, of course, bad practices that should cease forthwith. But again, we are trying to arrive at an *overall* understanding of Walmart, a firm with over two million employees who work *tens of millions of hours* *each week*. Trying to characterize such a huge set of multitudinous experiences seems a bit like trying to draw a highly detailed picture of the surface on which you are reading this, atom-by-atom, or even boson-by-boson and fermion-by-fermion. The task evades our epistemic reach.

Our capacity accurately to characterize type-3 firms as thoroughly dictatorial requires epistemic access, we might say, to the total relevant experience of two million diverse Walmart employees across thousands of stores. But we have seen that it is not clear that, at a distance and with statistics, we can fully describe, reliably enough for present purposes, a single large firm like Walmart, much less the entire, far larger and more diverse, profit *system* of millions of firms that her criticism targets. Anderson certainly provides some evidence for a sweeping indictment of all of Walmart, but what matters for meeting the NRR is whether this evidence permits generalization to all of Walmart, with its thousands of stores and millions of employees. The data points we get are minimal (e.g., an interview, employee reports), however, and come from an anecdotal story rather than a careful empirical study.[[37]](#endnote-37) And the claim that Walmart is “notorious” does not settle much either. So we need more facts lest this moral verdict against a huge and complex firm in operation across countries and continents every second of every day overreach. To be clear, the verdict itself could indeed be true—but we simply do not know enough to be rationally confident it is.

In all of this, it is perhaps worth reiterating that the fact that it is rather hard to morally assess a complex system of corporate governance in no way implies that bad behavior by executives, shareholders, or others should be excused. We need workplaces to be environments where the dignity of persons is respected without exception. And we need all employees—especially management—to stand against oppressive, unfair, or abusive practices wherever they occur, and to take serious steps to prevent them from occurring in the first place.

I would be negligent not to add that Anderson’s cited cases are shocking perhaps precisely because ordinary experience tells otherwise. If we are asked, “Why do we find *Disciplinary Action* and *Diapers* so surprising and upsetting?”, I suspect that a plausible answer could appeal to the fact that we (or many of us) instinctively compare these cases to a *background* *experience* of very different, and more standard, cases. Although readers of *Private Government* may be a self-selecting group who are less likely than many to hear first-hand stories about work conditions in, say, an abusive poultry factory, many such readers do know about the basic work conditions of scores or even hundreds of diversely employed family members, friends, and acquaintances. If we and others are still deeply surprised to hear of such lamentable conditions, this could well be because our understandings of work conditions in many other venues—retail shops, restaurants, manufacturing plants, medical facilities, and so on—imply that having awfulbosses is at least somewhat rare.

While Anderson’s case against type-3 firms is perhaps the most sophisticated and empirically informed account available, other prominent scholars also seem to assume either that their broadly anti-market arguments rely on sufficiently representative data—believing that their objections meet an intuitive version of the NRR—or that representativeness does not matter much in the development of a rationally convincing argument. For instance, in *What Money Can’t Buy: The Moral Limits of Markets*, Sandel (2012) discusses some surprising cases of market exchange that he deems morally objectionable: prisoners paying for accommodations upgrades, amusement park attendees paying to jump the queue for popular rides, and militaries, such as the United States military in Afghanistan, paying for private security personnel to fight their wars, rather than using official military personnel. Appealing to such cases, Sandel (2012, 2013) argues that over the past 30 years the United States has transformed from a market *economy* into a market *society*. The result, he says is that financial exchanges have come to occupy an outsized, and damaging, role in American public life.

Well, not so fast, if our earlier analysis of representativeness is correct. That discussion implies that, at best, Sandel (2012) and followers need more information before they can know whether he is right about the damaging nature of the millions of financial exchanges that occur each minute across the U.S. and beyond (Robson 2021). Sandel’s claim that the U.S. has become a market society can in principle be empirically verified; but, to do so, we would need to consider far more than the set of vivid cases he discusses. It would take a tremendous empirical effort to identify a known-to-be-representative sample of the broad slice of society under consideration (including both its market and non-market activities) in order to sustain a moral judgment of “American market life” on its basis. The following example implies that such an effort would need to be well-nigh heroic if it is feasible at all.

Suppose that in the United States, with its roughly 30 million firms, there are a *million* cases of firms with property X. Depending on the character of the other 29 million firms, our million-member sample might be representative, or it might not be. We would not know. Sandel understandably does not appeal to a million-or-more-member representative sample of the tens of millions of firms in the United States, including their complex activities and diverse firm cultures, so as to satisfy the NRR. We are unable, therefore, to know now whether he is correct. So more questions should be asked. For example, how many cases are there of the sort he discusses? Which fraction of overall firms (or type-3 firms) do the adduced cases constitute? Is it more like one-half of the cases, or 1/10,000th? And so on. We do not know the answers, but know we must. Otherwise, as with Anderson’s argumentation, it will be hard or impossible to see how well Sandel’s intended criticism applies to the multitudinous patterns of exchange by for-profit firms, customers, and other market actors within and across numerous and diverse institutional and cultural contexts.[[38]](#endnote-38)

**VI. The Moderate Critique and the Moral Value of Exit Options**

Finally, we would be remiss not to consider the critical moral importance of having an *exit option*. Anderson (2017) and Cowen (2017) disagree on the moral value of current exit options. Whereas Cowen is optimistic about the capacity of workers to exit unhealthy or downright abusive employment relations, Anderson (2017: 141; see also Otteson 2019: 162-164) argues against “the suggestion that enhancing exit rights alone would be sufficient to deal with the problems I have documented.” Perhaps so. I contend, however, that even if current exit rights and even enhancements thereto would not be sufficientto handle the cases of abuse in type-3 firms that Anderson discusses, they might nonetheless be importantly contributory. What follows are four reasons why exit options are morally valuable in ways that partly undermine the capacity of The Moderate Criticism to satisfy the NRR.

Let us consider a few kinds of exit options: (*i*) interfirm options, (*ii*) intrafirm options, (*iii*) options enabled by social sanction, and (*iv*) options to receive public support. First, and most obviously, abused workers can often move firms. If an employee works at a retail store that turns out to be abusive or potentially abusive, the employee may well be able to find more respectful employment at a similar retail outlet, a mall, a clothing store, a grocery store, or another firm. Second, abused workers or workers subject to potential abuse can sometimes move within the same firm, requesting a transfer to another department or a different branch in the same city or a city nearby.[[39]](#endnote-39)

Third, abused workers can sometimes rely on the power of social sanction from within the firm or without. For one thing, the market often punishes firms that mistreat employees, lowering their profits. Hence *servant leadership* (Gioliti et al. 2021: 515 ff.) is positively correlated with higher profitability, and, plausibly, oppressive leadership usually is not. For another, there is much evidence that social punishment (e.g., boycotting) deeply affects firms’ treatment of workers and other activities.[[40]](#endnote-40) This includes reputation-altering mechanisms that employees can deploy against abusive employers via social media posts, Glassdoor reviews, and so on. For yet another, intra-firm social sanctions can be forceful. An abusive boss who upsets one or a few workers may risk setting off a string of exchanges between workers, culminating in a large response or pervasive smaller responses that set back the boss’s interests. In fact, even a firm that looks *from the outside*, based on statistics or customer impressions, to be an employment venue ripe for abuse, might well have in place informal, unstated checks of various kinds on the power of bosses.[[41]](#endnote-41) For example, suppose that workers went on strike a year ago because a firm’s operational policies were oppressive. This might *preempt* a boss from adopting such policies today or in the future, even if no official constitutional change in firm structure has been implemented, and even if no customer or statistician would notice this major informal constraint on firm activity.[[42]](#endnote-42) Relatedly, workers with allies within their firms will often be able to persuade an ally to oppose an abusive boss. And if an ally is also an ally of the boss, workers might ask the person to leverage their position to insist on better employee treatment. In some cases, workers can also report abuses to authority figures in the firm who can launch a formal or informal investigation and introduce reforms where needed. Fourth, in democratic societies with welfare systems, abused workers can often “exit” by quitting or not complying with a boss’s threats, knowing that they will likely receive public welfare afterward.[[43]](#endnote-43)

To be sure, these four options are not all available to all workers all the time. And these options are rarely stress- and risk-free. But many abused workers can find a way to avail themselves of at least one of the options. Freedom of exit is thus a morally important check on employee abuse. It not only enables many employees to respond to abuse *post hoc*. It also serves as a deterrent to potential cases of abuse *ex ante*. The hidden benefits of such deterrence are difficult to estimate but could well be significant.

Even so, an objector might say the following. “Telling workers in type-3 firms that they are free to quit and switch companies is much like telling citizens of the Soviet Union that they are free to emigrate to whichever (also oppressive) Eastern Bloc country they would like. An equally unattractive exit option deprives exit of its value!” Well, quite so, in a sense. But, first, it is far from clear that exiting abusive employment to join another firm will usually launch one into a situation that is equally or more oppressive. Second, and relatedly, if an employee must exit an abusive firm to join another firm, the employee can inquire with employees and on social media to see whether the prospective firm or boss is apt to discipline or terminate them arbitrarily (in a bad sense of “arbitrary” as discussed above). And, third, one of course needn’t move thousands of miles, leaving one’s family and incurring other major costs, if one wishes to switch jobs from, say, a Menards to a Home Depot. Hence the Soviet Union analogy, while gripping, carries no weight.

Before I conclude, two final points about exit options bear note. First, some economically minded commentators (e.g., Cowen 2017) note the perhaps unpalatable truth that even workers in abusive employment arrangements might have all-things-considered revealed preferences *not* to exit.[[44]](#endnote-44) These preferences might be “revealed” by, or inferable from, their behavior, to wit their refusal to exit.[[45]](#endnote-45) On this line of thought, many workers (perhaps many millions if Anderson’s figures of 25% and 55% are right) might have ordinally ranked preference sets like this: Preference 1 {work at a firm with an abusive authority structure but other offsetting benefits} > Preference 2 {work at a firm with neither}. If Preference 1 dominates Preference 2, then workers in a type-3 firm with an actively or potentially abusive authority structure might yet have an exit option to the “firm with neither” but simply prefer not to take it. That we cannot know workers’ preferences here does not, of course, justify abusive authority; and it is compatible with workers’ most strongly preferring a system of codetermination, say, to a system of type-3 firms.[[46]](#endnote-46)

Second, firms that abuse workers frequently succumb to a naïve form of short-termism: It is simply bad business. Rehiring is usually expensive, and, where it is not, abusive firms will often incentivize employee exit. Such firms risk sullying their reputations, losing talent, and destroying the morale that helps a business to thrive.

**VII. Conclusion: How to Object to The Profit System (and How Not To)**

A successful objection to the profit system cannot merely detail reasonable moral criticisms of particular firms or, if possible, industries. It must establish, as well, that the criticisms apply to the whole system. I have accordingly argued that a successful objection to the profit system must satisfy the NRR by appealing to a *representative* *sample* of business activity that is unethical within it. Nevertheless, many and perhaps all leading criticisms of the profit system fail on this score because they overreach. The point is not that there are no legitimate objections to for-profit firms (there are many, of course). Rather, the sheer complexity, diversity, and size of the profit system render systematic objections hard or impossible rationally to sustain.[[47]](#endnote-47)

The central impediment, moreover, to identifying a representative sample of the needed kind appears to lie in the attempt made to use a dichotomous variable to cover an immensely complex, multidimensional reality. The question whether a system of political economy is overall moral is binary; it admits in principle of a “yes” or a “no” answer (with appropriate qualifications, of course). And yet, critics so often fix their gaze on the dichotomous variable of whether or not particulartype-3 *firms* are morally objectionable. To object to the profit *system* on empirical grounds, however, one cannot simply stack up objections to particular firms or industries that are lamentably immoral in whole or part. A system-level objection instead requires an appeal to the claim that the objected-to firms constitute a representative sample of all of the multidimensional firms and activities that constitute the profit system. We should not assume that even seemingly very many “yes” answers to the question whether a given firm is immoral overall amount to the same answer to the question whether the *whole system* of firms is immoral. To do so would overlook, or so I have argued, the multidimensional reality of the whole systemofprofit-oriented activity by millions of firms in market contexts quite numerous and diverse. It might even overlook the size, scope, and diverse operations of large individual firms as appears to have happened in our example of Anderson’s discussion of Walmart.

If even subtle attempts to morally assess the profit system fall short, there appear to be two solutions. One is to get far more empirical data and develop a sophisticated account of how criticism based on the data generalizes to the whole profit system. A second solution is to limit criticism to particular firms or industries about which one has sufficient relevant knowledge, if one does.[[48]](#endnote-48) But herein lies a dilemma: Either (a) our moral assessment must apply primarily to particular cases, such that we cannot say much about the massively complex social system of firms as a whole, or (b) if we choose to assess a massive, multidimensional system of firms itself, whether of type-3 firms or otherwise, our assessment will need to remain uncomfortably speculative.

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1. \* I thank audiences at [places removed], as well as [names removed], for comments that helped to clarify and refine the arguments in this article.

   See Hatherly et al. (2020) on rationales for profit maximization and Almeder (1980) on value creation versus (mere) wealth transfer. On gains in prosperity, see Clark (2007: 1-16, 303-327); McCloskey (2016); Otteson (2019: 117). [↑](#endnote-ref-1)
2. There is also widespread popular skepticism of the profit system (Bhattacharjee et al. 2011, 2017). For sophisticated responses to key criticisms, see Brennan and Jaworski (2015, 2016), McCloskey (2006, 2010, 2016), and Otteson (2014, 2019). [↑](#endnote-ref-2)
3. On the nature of profit, see Child (1998). [↑](#endnote-ref-3)
4. On the features of capitalism, see Gaus (2009) and Thrasher and Halliday (2020: 1-6). [↑](#endnote-ref-4)
5. For a sophisticated critique that avoids such tendencies, see Satz (2010). [↑](#endnote-ref-5)
6. As I say below, recognizing the epistemic need to lower one’s confidence in the value of reform is entirely consistent with maintaining rationally that reform ought to be carried out. [↑](#endnote-ref-6)
7. As will become clear, to say this is not to claim that reform is never justified. [↑](#endnote-ref-7)
8. Thanks to an anonymous review for discussion on this point. [↑](#endnote-ref-8)
9. Largely, but not entirely—on which more later. [↑](#endnote-ref-9)
10. Moral objections to the firm are distinct from but related to economic objections. See Buchanan (1985). [↑](#endnote-ref-10)
11. Nor is it necessarily ethical. (I will often use “ethical” and “moral” interchangeably herein.) [↑](#endnote-ref-11)
12. Hasty generalization is also called the fallacy of “defective induction.” [↑](#endnote-ref-12)
13. There is also a related issue. Even if the data generalize to the set of firms now, will they generalize months or years hence? [↑](#endnote-ref-13)
14. This model is popular in, for instance, France, Germany, and Sweden. [↑](#endnote-ref-14)
15. This model is popular in, for instance, Argentina, Canada, France, India, Israel, and Spain. [↑](#endnote-ref-15)
16. How and how far Anderson supports such replacement in the case small firms is not entirely clear. As noted later, her objection has to do with hierarchical power in for-profit firms. [↑](#endnote-ref-16)
17. On Anderson’s account relative to the many millions of firms, see Otteson (2019: 162-163). [↑](#endnote-ref-17)
18. For replies to Cohen, see Brennan (2013) and Storr and Choi (2019). [↑](#endnote-ref-18)
19. On power relations between for-profit firms, citizens, and political leaders, see Brown (2019). [↑](#endnote-ref-19)
20. With Smith (1776), Anderson (2017: 22) considers businesses “deeply humane” that operate under circumstances of free and fair competition without arbitrarily or otherwise exercising objectionable hierarchical power. [↑](#endnote-ref-20)
21. As Norman (2018) discusses, other prominent scholars have argued that firm executives claim a form of political authority over their employees. See, e.g., McMahon (2013), Blanc (2014), Ciepley (2013); Heath (2014; cf. Sinnicks 2022); and Singer (2018)*.* [↑](#endnote-ref-21)
22. I have added the case names. [↑](#endnote-ref-22)
23. Anderson’s cumulative case that type-3 firms are dictatorial and abusive is further strengthened by the fact that employees are often disciplined or even fired for activity *outside* of the job: objectionable Facebook posts or Tweets, insulting the boss’s friend outside of work, and so on. *Ibid*., pp. 49-50. [↑](#endnote-ref-23)
24. Henceforth I sometimes use “abuse” as a general term to capture employee degradation, mistreatment, etc. [↑](#endnote-ref-24)
25. Anderson proposes to change the *system* of type-3 firms to a German codetermination model or some other (2017: 143). This is a proposal far more ambitious in scope than a proposal to strengthen anti-discrimination law and wrongful law, increase market competition, and enhance exit options. Her proposal is thus far more debatable than more modest proposals. [↑](#endnote-ref-25)
26. Firms are not markets themselves (as, e.g., they lack prices) but centralized, hierarchical structures—islands within markets—that take resources out of the market economy, transform them, and put them back in—hopefully, adding value to consumers and society broadly. See Coase (1937: 388) and Anderson (2017: 52, 50-55), criticizing the theory of the firm. [↑](#endnote-ref-26)
27. Many advocates of *laissez faire* capitalism or anarcho-capitalism will sympathize with Andersons’s worries, seeing the development of hierarchical firms as an imposition on liberty. [↑](#endnote-ref-27)
28. True, one might say of the argument that abuses could be far less common than Anderson lets on that the mere fact that firms *could be* abusive is enough to render a system of firms morally objectionable (or, if not objectionable, at least nonideal). Still, the fact that Anderson and others present empirical data (as in the cited worker reports and the cases of *Diapers*, *Disciplinary Action*, *Sexual Harassment*, and *Sweatshop*) implies that these critics recognize the evidential value of showing the prevalence of actual abuse in an argument condemning the type-3 system even on republican-domination grounds. This section accordingly examines what we in fact know about this claimed prevalence. If one buys my argument, one will need to conclude at least that Anderson’s and Sandel’s (discussed later) accounts are not nearly as epistemically able as many believe to morally diagnose the type-3 system. [↑](#endnote-ref-28)
29. See Huff (1954) for a classic articulation of how statistics can mislead. [↑](#endnote-ref-29)
30. Anderson (2017: 135) acknowledges the relatively paucity of germane aggregate statistics. But it is not clear that statistics can even account in principle for the kinds of context-specific information needed to identify certain abuses of workplace authority. [↑](#endnote-ref-30)
31. We can also fail due to ethical blind spots, for instance. See Bazerman and Tenbrunsel (2011). [↑](#endnote-ref-31)
32. This analysis, which focuses on spousal treatment in daily interactions, leaves aside most questions related to laws of coverture about property ownership and spouses’ relative capacities to execute contracts or file lawsuits. Through much of the 19th century, the law of coverture gave husbands in the U.S. legal power over their wives in the domains just mentioned, and abolition of this law was a moral success. This does not necessarily imply, however, that legal reforms that would abolish *bosses’* power over employees should be similarly eliminated. Among other reasons, there is a disanalogy regarding freedom of exit. Exit is arguably far more feasible and thus morally valuable for employees today than it was for wives under the law of coverture and is for most spouses today (on exit options, see §6). Exiting a marriage is at least very often far more personally costly all-things-considered than leaving one job for another. Thanks to an anonymous review for pressing me to clarify this point. [↑](#endnote-ref-32)
33. Survey respondents also face pervasive ordinary cognitive limitations that can threaten the reliability of statistical findings. See Kahneman (2011). [↑](#endnote-ref-33)
34. I do not mean to suggest that no amount of statistical evidence could be deployed to satisfy the NRR. This depends on how much relevant information (e.g., local knowledge) the statistics leave out. [↑](#endnote-ref-34)
35. Of course, there can also be irrationally *non*fearful employees. If we account for this by bumping up (or even doubling) the subsequent numbers, the conclusion remains the same. [↑](#endnote-ref-35)
36. Likewise for large technology firms, even those that (in part) include morally concerning practices. For example, the Big 5 technology firms—Apple, Alphabet, Amazon, Facebook, and Microsoft (whose joint market capitalization is a whopping 7.5 trillion dollars)—have been accused of moral improprieties. However, it is often difficult to know whether these affect a small part of an enormous firm or pervade it. Wall Street Journal (2021a, 2021b). [↑](#endnote-ref-36)
37. The cited source (see Anderson 2017: 179) is an online news story: “The Ugly Walmart Truth: Some Managers Treat Workers Like Dirt.” [↑](#endnote-ref-37)
38. This may be possible to empirically confirm. The United States is, after all, a complexly evolved-and-evolving society of roughly 330 million people intricately interlinked by countless formal and informal organizations and patterns of associations. [↑](#endnote-ref-38)
39. Of course, pursuing this option can prove tricky in practice, unless the employee can indicate an alternative justification for the transfer request. [↑](#endnote-ref-39)
40. For example, naming and shaming on social media have real impacts on managerial decision-making (see Radzik 2020 on naming and shaming (chap. 3) and boycotting (chap. 1-3)). [↑](#endnote-ref-40)
41. Of course, in a world of complex and diverse firms, it could go the other way. Work environments that appear pleasant and respectful from customers’ perspectives might actually be oppressive and dictatorial. [↑](#endnote-ref-41)
42. Statistical analyses can be insensitive to distinctions between such a firm and a firm with no history of either strikes or similar informalchecks on bosses’ power. On informal rules and norms in social institutions, see Ostrom (2005). [↑](#endnote-ref-42)
43. Anderson (2017) points out that, for instance, workers may be ineligible for unemployment insurance in voluntary-quit scenarios. Some such workers can request or provoke termination if it would increase their prospects of eligibility, a benefit to weigh against potentially worse prospects for future employment were one terminated. [↑](#endnote-ref-43)
44. For a challenge to the idea of “revealed preference,” see Hausman (2000). [↑](#endnote-ref-44)
45. In some such cases, alas, workers might have “adaptive preferences” that undermine their flourishing. See Nussbaum (2001). [↑](#endnote-ref-45)
46. As Anderson (2017) reports workers do. [↑](#endnote-ref-46)
47. As noted earlier, this claim is compatible with the idea that the profit system should be reformed, and also compatible with support for either shareholder theory (Friedman 1962) or stakeholder theory (Freeman 1984). [↑](#endnote-ref-47)
48. Enormous multinational corporations such as Accenture, Amazon, Volkswagen, and Walmart can have thousands of stores and hundreds of thousands or (for Walmart, as noted) even millions of employees. Perhaps a successful moral criticism of such large and diverse firms may *need* to have a narrower target than the firm itself, such as a division of the firm, aspect of its operations, or element of its corporate culture. [↑](#endnote-ref-48)