

# Interrogating Inequality

Essays on Class Analysis, Socialism and Marxism



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## Coercion and Consent in Contested Exchange

(with Michael Burawoy)

At the core of Sam Bowles and Herbert Gintis's paper, "Contested Exchange," is a classical problem in Marxist theory: what are the mechanisms that explain the capacity of capitalists to actually appropriate surplus labor from workers?<sup>1</sup> The simple fact of a labor contract between workers and capitalists is insufficient to explain real appropriation. In the labor contract, workers merely sell their capacity to work to capitalists – their labor-power. How is it, then, that capitalists manage to get workers to perform sufficient actual labor effort to produce a profit above the costs (wages) of that labor-power?

Bowles and Gintis's answer to this question revolves around a complex analysis of the relationship between surveillance, threats, and wages in capitalist firms. The basic strategy for employers to get workers to provide adequate labor effort, they argue, is threats of various sorts, especially the threat of being fired. In order for the threat of firing to be effective, however, workers have to believe that there is some chance that they will be caught if they shirk and they must care about being fired. The use of such threats, therefore, imposes two kinds of cost on employers. First, there is the obvious cost of surveillance itself. In order to punish workers for shirking, bosses have to be able to detect this behavior, and this requires hiring (and paying) supervisors of various sorts and adopting other costly monitoring techniques. Second, in order for workers to care about the threat of firing, they must face significant costs for losing their jobs. This means that the wages of workers must be significantly above their reservation wage – the income they would have if they lost their job. This means that employers have to pay workers what Bowles and Gintis call an "employment rent" – an increment of income above the "market clearing wage" – so that they will care about

1. Sam Bowles and Herbert Gintis, "Contested Exchange," *Politics & Society*, June 1990.

keeping their jobs. Employers, then, face a strategic trade-off in deciding on the level of surveillance and employment rents they will use to control their employees: the higher the employment rent, the lower the costs of direct monitoring, since workers with high wages will be more worried about losing their jobs than workers whose wages are closer to their reservation wage, and thus less surveillance will be needed to instill fear of firing.

Bowles and Gintis's analyses constitute an interesting contribution on at least two scores. First, radical political economists have paid relatively little attention to efficiency wage theory and the transaction costs approach to organizational economics. Bowles and Gintis systematically incorporate these theoretical traditions into the agenda of Marxism. This incorporation has important implications not only for Marxist treatments of exploitation (the transformation of labor-power into labor) but also for a range of other problems such as the structural bases for unemployment in a competitive economy, the rationing of credit in capital markets, or the forms of power that divide employed from unemployed workers. Secondly, in a complementary manner, neoclassical economists have not understood the implications of transaction cost theory for the relationship between power and exchange. In their development of the concept of short-side power, Bowles and Gintis demonstrate that in any arena of market exchanges in which there are significant transaction costs in monitoring compliance with the terms of the contract, real power relations are likely to be constructed within the exchange relation.

In our judgment, the central weakness in Bowles and Gintis's analysis is that they do not treat their models of contested exchange as simply specifying one particular mechanism among several for insuring the performance of labor, but as constituting the most general or characteristic mechanism in capitalist societies. In contrast, we will argue (1) that the surveillance-threat mechanism elaborated by Bowles and Gintis is only one of a variety of mechanisms for generating labor effort within capitalist labor contracts, (2) that, except in certain relatively limited historical situations, this is not the most important mechanism, and (3) that in certain contexts, particularly in the case of generating effective performance by managers and experts, heavy reliance on a surveillance-threat mechanism can actually reduce effective performance of labor. In short, we will argue that Bowles and Gintis operate within a too restricted theoretical appreciation both of the logic of strategic action by workers within production and of what we will call the "non-strategic elements of strategic action," and thus tend illegitimately to treat the specific mechanism of contested exchange as the general solution to the problem of surplus appropriation.<sup>2</sup>

2. The non-strategic elements of strategic action include, among other things, what

### A Typology of Mechanisms for Eliciting Labor Effort

It will be useful to distinguish two dimensions on which mechanisms that generate labor effort within labor contracts vary. The first concerns the *cognitive mechanisms* underlying the explanation of behavioral compliance: *strategic rationality* and two kinds of *non-strategic norms* we will call *behavioral* and *evaluative*. By strategic rationality we refer to cognitive processes in which actions are the result of a cost/benefit assessment by the individual of the likely consequences of alternative choices. Bowles and Gintis's argument that workers exert labor effort because of the expectation that shirking will lead to being fired would be an example. In contrast, when compliance is the result of non-strategic norms, individuals do not exert effort as a result of a rational calculation of the costs and benefits of the consequences of compliance and non-compliance but rather because they feel they *ought* to exert effort, that it is the moral thing to do.<sup>3</sup> This could be because, for example, they feel that it would be unfair for them not to do so. In the case of *behavioral* norms, the normative principle in question is directly applied to one's own behavior. In the case of *evaluative* norms, the normative judgment is applied to the behavior of others. Thus, for example, to describe a person as complying with an order because of the belief in the legitimacy of the authority issuing the order is to say that the authority in question satisfied a particular evaluative norm we call "legitimacy."

In describing strategic rationality and non-strategic norms as distinct cognitive mechanisms, we are not suggesting that in any given situation only one of these could be operative. In general, social actions will involve both strategic and normative considerations. Thus, for example, when workers obey an order by a boss, this is likely to be due in part to a rational calculation of the consequences of non-compliance and in part to various kinds of norms operating in the situation (that is, norms of obedience to legitimate authority or norms of fairness). As we shall argue below, the stability and efficacy of the social practices within which strategic rationality operates in part depend upon the presence of appropriate, corresponding, non-strategic norms.

sociologists have called the "non-contractual elements of contract," but also, as we shall see, the various normative underpinnings of domination.

3. To describe norms as "non-strategic" does not mean that they do not indirectly enter into strategic action. For example, normative judgments can rule out certain alternatives among a feasible set and thus shape strategic choices. It can also be the case that there are strategic considerations that enter into the decision to apply a norm. Thus, frequently, if the costs of following a norm exceed some threshold, the norm may be ignored. For an interesting discussion of the interplay of normative and strategic dimensions of rational action, see Margaret Levi's discussion of "quasi-voluntary compliance" in *Of Revenue and Rule*, Berkeley 1988, chapter 1.

The second general dimension we will use to examine the problem of generating labor effort concerns its *immediate relational basis*: *domination* or *asymmetrical reciprocity*. By "immediate relational basis" we refer to the qualities of the social relations *within production itself* that directly impinge on the practices of workers and bosses. In the case of domination, labor effort is performed because of the continual presence of various kinds of threats by bosses that individuals face if they are caught shirking. In the case of asymmetrical reciprocity, labor effort is based on consent, on the positive agreement by each of the parties concerned over the mutual, if still unequal, benefits of the exertion of such effort.

This does not imply, it must be stressed, that coercion plays no role in generating such consent, but simply that coercion is not being directly applied routinely to generate effort. Coercion is linked to consent in two ways. First, because in the contexts we will discuss the relations are deeply asymmetrical, coercion remains essential for reproducing the rules of the game within which such agreements are forged. As Gramsci put it, consent is always surrounded by the armor of coercion. The point is that under conditions of asymmetrical reciprocity, direct coercion is not a ubiquitous mechanism for eliciting effort. Second, in order to sustain consent, coercion may also be applied to sanction certain forms of individual deviance not simply to maintain the rules of the game as such. In factories coercion is used to repress individual acts of theft, not simply to protect private property against collective appropriation. This is consistent with the fact that fear of punishment for theft may not be the central mechanism for explaining why most workers refrain from stealing (although such repression may be important in maintaining the norms against theft).<sup>4</sup> The claim that effort is elicited through consent under conditions of asymmetrical reciprocity, therefore, does not imply the complete absence of coercion but simply that individual effort is not a strategic response to direct surveillance and threats.

If we put these two dimensions together, we get the general typology

4. Margaret Levi elaborates the relationship between coercion and consent in an interesting way in her analysis of why people pay taxes. She argues that limited, rule-bound use of coercion plays a critical role in facilitating what she terms "quasi-voluntary compliance." In many situations, she argues, most people pay their taxes not primarily because of the threat of coercion. Nevertheless, coercion plays a crucial role since it helps to ensure some minimal level of tax payment in a population. Given that this level is above a critical threshold, many people will voluntarily pay their taxes on the normative grounds that they will pay their fair share given that other people are doing so. The coercion therefore serves to create the necessary context for the norms against free riding to generate voluntary compliance. See Levi, *Of Revenue and Rule*. Limited, rule-bound coercion may play a similar role in stabilizing the conditions for consent to labor effort within capitalist production.

Table 4.1 A Typology of Mechanisms for Extracting Labor Effort from Labor-Power

		Immediate Relational Basis for Behavioral Compliance	
		<i>Domination</i>	<i>Asymmetrical Reciprocity</i>
Cognitive mechanisms underlying explanation of behavioral compliance	<i>Strategic rationality</i>	Surveillance/coercion models (Bowles and Gintis: contested exchange)	Hegemony/consent models
	<i>Behavioral norms</i>	Obedience (Bowles and Gintis: schooling)	Responsibility
	<i>Evaluative norms</i>	Legitimacy	Fairness

of mechanisms that generate labor effort illustrated in Table 4.1. The two columns in this table, "Domination" and "Asymmetrical Reciprocity," constitute two ideal types. Thus compliance within immediate relations of domination is likely to be the most stable when the surveillance and coercion that define the context of strategic rationality are complemented by strong behavioral norms of obedience and beliefs in the legitimacy of authority. Similarly, the strategic rationality that underwrites consent under conditions of asymmetrical reciprocity is likely to be much more stable in the presence of strong norms of responsible performance and beliefs in the fairness of bosses. The working-class aphorism "a fair day's work for a fair day's pay" embodies an evaluative norm (a fair day's pay) and a behavioral norm (a fair day's work) that help stabilize strategically rational consent. This constellation of mechanisms is generally referred to as a "hegemonic" system.

Several points of clarification of the logic of the categories in this typology are necessary. First, there is no implication from this typology that in concrete work settings only one set of effort-inducing mechanisms will be present. In some settings, different labor processes may be governed by different mechanisms (for example, when there are dual labor markets within factories); in other cases, single labor processes may be characterized by the coexistence of both hegemonic and non-hegemonic mechanisms. This means that we can talk about the *degree* to which hegemonic practices for generating consent are the basis for

eliciting labor effort, rather than simply about the presence or absence of such practices.

Second, there is also no implication from the typology that the presence of consent within hegemonic practices implies the absence of conflict. The *reciprocity* in asymmetrical reciprocity is forged through struggle in which workers win concessions of various sorts in exchange for responsibly performing labor within production. Furthermore, such reciprocity is not maintained simply through social inertia but itself requires various forms of ongoing conflict. Consent and conflict should thus not be viewed as antinomies but rather as complements.

Third, the linkage between consent and conflict implies that consent within asymmetrical reciprocity is always conditional, subject to contestation, renegotiation, transformation. Underlying consent is some kind of *quid pro quo* bargain. Depending upon social and economic conditions, both employers and workers may be tempted to erode their side of the bargain, and in so doing the material basis for consent may also erode. Identifying the distinctive properties of this mechanism, therefore, does not imply any claim that once in place consent is self-reproducing and unconditional.

Finally, the typology of mechanisms for extracting labor effort does not imply that in actual work settings there is invariably a correspondence between the strategic and normative rows of the table. Workers, for example, may perform labor effort because of the surveillance and threats characteristic of strategic rationality under conditions of domination even in the absence of strong norms of obedience and beliefs in the legitimacy authority of the boss. Such a situation corresponds to what might be called a purely *despotic* system of labor compliance.<sup>5</sup> Alternatively, if less realistically, if the norms of obedience were incredibly strong and deeply internalized, then conceivably workers might perform adequate labor effort within a relation of domination even without significant surveillance and threats. Similarly for the case of asymmetrical reciprocity: workers may strategically consent to perform effort given an understanding of the benefits of such performance without necessarily believing that the employers are fair. The logic of the typology suggests that strategic consent is likely to be more effective and durable if the implicit bargain is viewed as fair by workers and if behavioral norms of responsible work are strong. When such normative mechanisms are present, both parties to the bargain are less likely to be tempted to opportunistically erode their side of the bargain. Nevertheless, some

5. Michael Burawoy's analysis of "market despotism" approaches such a situation. Compliance is enforced largely through a variety of mechanisms of surveillance and threats, with very limited normative backing. See *The Politics of Production*, chapters 2-3.

level of strategic consent is possible even without such normative backing.<sup>6</sup>

Bowles and Gintis's work has been firmly rooted in the domination side of this table. In their earlier, important study of education, *Schooling in Capitalist America*, one of the central themes revolved around the schooling practices that internalized norms of obedience to authority among working-class children.<sup>7</sup> Docile, obedient workers were workers suited to exploitation, and one of the goals of schooling, Bowles and Gintis argued, was to produce that kind of person.<sup>8</sup>

In "Contested Exchange," the analysis shifts decisively from cognitive mechanisms involving the socialization of behavioral norms to strategic rationality. But Bowles and Gintis remain firmly committed to understanding workers' effort as fundamentally a problem of compliance within relations of domination. The exertion of effort by workers is seen as resulting from external authority that deploys surveillance threats in such a way as to make compliance strategically rational for the individual. Unlike the analysis developed in *Schooling in Capitalist America*, the normative aspects of domination play no role in this explanation. And even more significantly, we will argue, the explanation does not entertain the possibility that effort is expended by workers through processes that elicit their active consent.

It is perhaps natural for Marxists to believe that if workers act on the basis of strategic rationality, they will exert effort in production only under conditions of externally imposed commands, surveillance, and sanctions. If the interests of workers and capitalists are radically polarized, it would seem, even asymmetrical reciprocity is impossible and their relationship must be characterized essentially as a relation of pure domination. And if, then, workers act on the basis of strategic rationality, they will not spontaneously initiate effort without threats from bosses. Such assumptions suggest the centrality of the surveillance/

6. There is, again, an analogy between our analysis of labor effort and Levi's analysis of tax paying. She argues that one of the pivotal conditions for quasi-voluntary compliance is that taxpayers see the tax system as fair and the state as responsibly providing the public goods contained in the *bargain* between taxpayers and the state.

7. Samuel Bowles and Herbert Gintis, *Schooling in Capitalist America*, New York 1976.

8. A secondary theme in *Schooling in Capitalist America* – and a dominant theme in much other radical literature on education – is the ways the competitive practices of schooling teach children the legitimacy of meritocratic authority and hierarchy. This, along with more direct affirmations of the legitimacy of private property, contributes to internalizing the critical evaluative norms linked to authority relations. A very different picture emerges from Paul Willis's study, *Learning to Labour*, New York 1981, in which neither obedience nor legitimacy, but rather *resistance* to schooling and to mental work leads working-class "lads" to embrace manual work, creating the normative foundations for consent to capitalist work relations.

coercion mechanisms of contested exchange to the extraction of labor from workers.

One of the significant contributions of the Gramscian tradition in Marxist theory is to argue that consent by workers based in part on strategic rationality (and not just on norms and delusions) is possible in capitalism. This is precisely what the concept of *hegemony* is meant to convey: a system in which the conflicting interests of workers and capitalists are coordinated in such a way that workers spontaneously consent to their own exploitation.

How is this possible? The presupposition of Gramscian approaches to class analysis is that the interests of workers and capitalists are *not* monolithically polarized. To be sure, *if* the conflict is over capitalism versus socialism, the interests of workers and capitalists may become radically polarized, but so long as conflicts are contained within capitalism itself, this is not usually the case. Under many circumstances, workers have positive interests in the profitability and survival of the firms for which they work. Unless there are many equally good jobs readily available, layoffs and unemployment represent costs to workers. Even if layoffs were random (that is, there was no system of seniority in place) and there were no surveillance by bosses at all (and thus an individual worker's own performance would not directly increase the probabilities of that individual worker being laid off when layoffs occurred), workers in most firms would have an interest in reducing the probabilities of layoffs. Furthermore, *if* workers can anticipate working for their current firm into the future and *if* they believe that the firm will pass some of the gains of productivity on to workers in the form of wage increases (that is, if there is a class compromise), their own welfare will improve if their firm thrives. Under such conditions, workers share with capitalists an interest in the prosperity of the firms in which they are employed.<sup>9</sup> And given such shared interests, some degree of real reciprocity in the relations between workers and capitalists becomes possible. As a result of these shared interests, workers will often spontaneously have an interest in the *collectivity* of workers exerting sufficient labor for the firm to be profitable. This does not imply either that the conflict of interests between workers and capitalists is completely obliterated or that domination is ever completely banished from production, but it does mean that such conflicts are partially neutralized by the

9. It should be stressed that workers do not have interests in the economic well-being of capitalists as such or in improvements in the income consumed by their employers. They have interests in the profitability of firms and in maximizing the reinvestment of those profits in ways that enhance the viability and productivity of the firm. Capitalist consumption is a deduction from reinvestable profits and is thus contrary to workers' interests.

nonzero-sum quality of material welfare in capitalism and that, as a result, domination becomes displaced as the central logic through which compliance is obtained.

Now it might still be the case that even if workers *collectively* have an interest in performing surplus labor, workers would nevertheless have an *individual* interest in shirking. Collective effort is a public good, and as we know, there is frequently a problem in the provision of such goods since individuals often free ride on the efforts of others.

But note that the problem has now shifted completely from one of contested exchange *between* classes as posed by Bowles and Gintis to a problem of contested solidarity *within* a class. The issue is no longer how bosses can ensure the terms of a labor contract among workers whose interests are strictly antagonistic to those of capitalists, but rather how workers can collectively minimize the free riding of individual workers. To be sure, managers and employers are still interested in preventing shirking, but the essential mechanisms for generating labor effort come from the processes that sustain solidarities among workers rather than from the surveillance and coercion of workers by bosses.

A variety of solutions to the problem of individual workers free riding on the effort of others develop in the practical operation of production. In particular, workers engage in mutual surveillance to insure that everyone is "doing their share," and norms against free riding develop in ways that reduce purely selfish rationality. In any event, the driving force of the process is not managerial domination as portrayed in Bowles and Gintis's models of contested exchange but interest-driven consent by workers themselves.<sup>10</sup>

Just as the surveillance/coercion mechanisms Bowles and Gintis emphasize are likely to be more effective if they are complemented by effective norms of obedience and belief in the legitimate authority of bosses, so the active, strategically rational consent of workers is likely to be more stable and effective if it is complemented by strong norms of

10. In a capitalist economy in which firms compete with one another, one can imagine that a quasi-Darwinian mechanism of selection could operate to reward those firms within which workers have managed to solve this kind of free-rider problem effectively. Imagine that we live in a world in which firms differ in the extent to which effective mutual surveillance and antifree-rider norms exist among workers. If it is the case that those firms within which workers can effectively reduce free riding will be the most profitable – and thus have the highest probability of reproducing themselves and expanding – then over time these practices and norms will become more common even if capitalists do nothing to encourage the practices. There is, of course, always a potential threat to capitalists posed by the strengthening of such norms of worker solidarity within production since under altered conditions these norms can contribute to forms of collective struggle rather than simply hegemonic cooperation. For a discussion of the contradictory logics of solidarity, see Rick Fantasia, *Cultures of Solidarity*, Berkeley, Calif. 1988.

responsibility (living up to one's bargains, doing one's fair share) and beliefs in the essential fairness of the employment relation. The real basis of such consent, however, is not the normative conditions as such – the non-contractual elements of contract – but the fact that, under conditions of partially complementary interests, it is strategically rational for workers to exert effort within production. We thus share with Bowles and Gintis a "materialist" understanding of the central mechanisms at work in explaining the transformation of labor power into labor: the normative (cultural) elements are to be understood as reinforcing or stabilizing the processes rooted in strategic, rational action over material interests rather than as constituting the fundamental explanation of labor effort. Where we differ is in their exclusive focus on strategic rationality under conditions of fully polarized interests (pure domination). We believe, first, that there is a great deal of historical variability in the importance of surveillance/coercion and second that, if anything, in much of the history of capitalism, the hegemonic models based on consent play at least as important a role in explaining labor effort as do pure surveillance models based on the direct use of coercion.

### Historical and Contextual Variability

Three variables strongly affect the extent to which surveillance and threats constitute an effective mechanism for generating work effort.

1. *The degree of interdependence of workers within the labor process.* When there is a relatively low level of interdependence within the labor process, employers can generally relatively easily measure the output of each worker and thus monitor their level of labor effort. If a labor process is highly interdependent, on the other hand, while it is possible to monitor the collective productivity of the workers as a whole, it becomes difficult to assess each individual worker's own contribution to that productivity.
2. *The degree of skill/knowledge of workers.* An alternative to monitoring output is to directly observe the behavior of workers, the performance of laboring tasks within the labor process. If one knew what kinds of behavior constituted *effort* and if one could directly monitor that behavior, then, even if the labor process was highly interdependent (thus blocking output measures of contribution), one could still use surveillance as a social control device. Under conditions of high levels of deskilling, where the cognitive and physical tasks of production are highly simplified and accessible to bosses, this kind of behavioral monitoring may become possible. When workers

monopolize high levels of skill and knowledge on the other hand, it is generally quite difficult for bosses, who lack such knowledge, to monitor effectively the actual performance of workers.<sup>11</sup> They can, of course, monitor extreme deviations and active transgressions of the characteristic behavior of workers on the shop floor, but as countless studies of social control within production have demonstrated, it becomes quite problematic to systematically observe the degree of real effort under conditions of complex skills and knowledge.

3. *The costs of job loss to workers.* At the heart of the contested exchange model is the issue of the costs of job loss. Bowles and Gintis emphasize that in order for surveillance and the threat of firing to work, it has to hurt workers to be fired. One thing that shapes how much this hurts is how easy it is for workers to get a new job if they are fired. If there are extreme labor shortages, presumably the threat of firing is less salient. But more important than sheer labor supply is the issue of the provision of public welfare. In the absence of any real public provision of welfare or individual savings, workers face extreme deprivation if they lose their jobs. Under these conditions, if surveillance is feasible as a method of gaining information on individual productivity, the threat of being fired is a real threat and likely to increase labor effort.

The combination of a high level of atomization and deskilling in the labor process with the absence of public provision of welfare is likely to foster the greatest reliance on surveillance and coercion as instruments of social control within production. This is characteristic of what Burawoy has termed "market despotism."<sup>12</sup> These conditions were common in certain sectors in the early phases of the industrial revolution, and they remain common in industrial settings in the Third World today. But even in the heyday of the competitive capitalism of the industrial revolution, the conditions for an exclusive reliance on surveillance/coercion strategy of extracting surplus were not universally present. Many labor processes involved high levels of skills and collective interdependency that made monitoring by bosses very difficult. Furthermore, when the internal social structure of early factories was based on systems of internal subcontracting and forms of what Burawoy has called "patriarchal

11. This is not to deny that there are tacit skills that pose monitoring problems in virtually all labor processes. The point here is that these problems are considerably intensified and more clearly recognized by bosses when they are compounded by high levels of skills.

12. See Burawoy, *The Politics of Production*, chapter 2.

despotism," it often became difficult in practice for employers to impose systematic punishments on workers since the direct control over the labor process was in the hands of the patriarchal head of the subcontracting unit. Thus, even though there were many instances in which the surveillance/coercion of contested exchange was the central mechanism of extracting labor effort, even in the era of competitive capitalism this was by no means the dominant mechanism.

While there are certainly sectors and specific labor processes in advanced capitalist countries within which this model still has some real force, it is no longer the core mechanism through which effort is elicited in most capitalist firms. In one way or another, hegemonic processes play a more central role. There are several reasons for this. First, the highly interdependent character of many labor processes makes it exceedingly difficult for bosses to monitor the productivity of individual workers, and thus, except in cases of gross deviation from desired levels of effort, the surveillance/threat mechanisms are largely not useful. Second, under conditions of relatively high reservation wages (due to the existence of a welfare system), monitoring and threats will generally be less effective than they are in a situation where the alternative to employment is misery. Third, in any kind of complex system of production, monitoring, surveillance, and the use of threats are not actually exercised by capitalists as such but by their hired managers instead. There is thus a principal-agent problem linking capitalists to managers that intervenes between capitalists and workers. Managers face a particularly thorny problem in trying to *control* workers, since their own prospects in the firm depend in part on how effectively the workers under their control perform their jobs. Especially in complex labor processes, workers have considerable capacity to make life miserable for their supervisors. They can disrupt production by working to rule, consciously withhold cooperation, and in other ways jeopardize the careers of the managers who nominally control them. Under these conditions managers have an interest in gaining the active cooperation of workers and of eliciting their effort through interest-based consent.

These factors suggest that in developed capitalism hegemonic strategies are generally likely to be more effective than purely repressive ones. It might be thought, however, that under these conditions both strategies should be strongly present. Why not extract labor through heavy doses of both surveillance/coercion and hegemonic consent? The reason, we believe, is that significant reliance on the surveillance/coercion mechanisms is inconsistent with the use of hegemonic mechanisms, thus making it difficult for both to be strongly present within a given organization of production. On the one hand, the pervasive use of surveillance, threats, and coercion tends to subvert the normative basis for hegemonic

strategies. Workers are less likely to honor norms against free riding and to develop a sense of their interests being tied to the success of their firm under conditions of heavy surveillance and threats by bosses. On the other hand, the development of hegemonic strategies undermines the efficacy of coercion. One critical aspect of the elaboration of hegemonic strategies is the institutionalization of various kinds of procedural safeguards within the workplace. In many workplaces it becomes much more difficult for bosses to summarily fire workers without going through elaborate due-process procedures, which are both time-consuming and costly. Given that the costs to the employer of invoking punishments goes up under these conditions, surveillance/coercion becomes a much less attractive option. In extreme cases, employers may choose to ignore even quite flagrant transgressions by employees because punishments are too costly. Bowles and Gintis's model of contested exchange recognizes the costs of *surveillance* – especially in terms of the costs of hiring guard labor – but generally treats punishment as such as costless. They thus ignore both the direct cost of deploying the procedures of dismissal, which may be substantial under institutionalized conditions of hegemonic relations, as well as the indirect costs of punishments resulting from the way punishment undermines other effort-inducing mechanisms. This means that once hegemonic strategies become economically effective they will tend to push out the more repressive surveillance–threat mechanisms of social control.<sup>13</sup>

As a result of these factors, collective self-surveillance by workers in which they initiate effort in pursuit of their interests is a much more pervasive mechanism in advanced capitalist firms than simple boss-initiated surveillance and sanctions. Unlike managerial surveillance, such collective self-surveillance is not costly: to the extent that work is highly interdependent, workers observe each other's performance as an essential by-product of their own activity, and because of their own knowledge and skills, they know how to assess the linkage between behavior and *effort*. And as countless industrial ethnographies have demonstrated, the punishments available to workers to impose on each

13. These arguments suggest that, in thinking about the social control strategies of employers, one needs a concept parallel to Adam Przeworski's notion of "optimal militancy" for the strategies of workers. Przeworski argues in his essay "The Material Bases of Consent" (chapter 4 in *Capitalism and Social Democracy*, Cambridge 1985) that a strategically rational worker will support a level of militancy considerably below "maximum militancy" when there are assurances that such restraint will result in new investments, increasing productivity, and rising wages over time. In the present context, employers must seek a level of "optimal coercion" – optimal "militancy" in the pursuit of capitalist interests, if you will – that balances off the costs of coercion against the long-term trajectory of effort in a low-coercion environment.

other, while not as dramatic as firing, can be just as effective: ostracism, petty hassles, sabotage, and so forth.

In the present period of capitalist development with increasing global competition, decreasing employment opportunities in the core industrial sectors of the economy, a decline in union power, and a reduction of welfare state provisions, one might expect that there would be a return to a heavier reliance on the kinds of surveillance–coercion mechanisms analysed in "Contested Exchange." It is certainly the case that the threat of job loss is more salient now than it was in the recent past, and it is also the case that the relatively easy coordination of interests between capitalists and workers characteristic of the "class compromise" of the post-Second World War period has become more problematic. Nevertheless, there is little evidence that the actual mechanisms for eliciting labor effort under these altered conditions in advanced capitalism constitute a return to the *market despotism* of earlier periods of capitalist development. The fear of plant closures and accompanying job loss are real, but they have led to an intensification of workers' collective self-surveillance, not to an intensification of managerial surveillance with threats of individual firing.

### Counterproductive Surveillance

We have argued that in complex processes of production (involving skilled and/or interdependent labor), hegemonic strategies are more effective than surveillance–threat strategies. In some circumstances the situation is even worse for surveillance: it can actually reduce rather than increase the desired kinds of effort. This is especially the case when we turn our attention from the problem of eliciting effort by ordinary workers to the problem of eliciting effort on the part of employees in "contradictory locations within class relations," particularly managers and experts.

For both managers and experts, employers seek not simply raw effort but also the responsible and creative exercise of their duties. Surveillance and threats are unlikely to generate effectively that kind of performance. Heavy bureaucratic controls and monitoring are much more likely to generate conformity and caution, not responsible and innovative behavior. If all one wanted of a manager or expert was that they did not violate any rules and did what they were told, surveillance and threats might work. But this is hardly a recipe for a successful firm in a capitalist economy.

These problems of social control over managerial behavior are compounded by the fact there are many layers of managers in many firms.



Many, perhaps most, managers supervise other managers, not workers. This means that a strategy of social control over managerial behavior is needed that works across layers of the hierarchy.

The alternative to crass surveillance and coercion that is most widely used is to create *careers* for managers and experts within firms. Careers consist of a trajectory of promotions in which individuals receive increasing pay and status, and usually responsibilities, over time.<sup>14</sup> While career trajectories are sometimes used to facilitate consent for workers as well, they are particularly salient among *middle-class* employees. Such trajectories help to solve the problem of generating responsible performance of labor by managers and experts in several ways. First, to a far greater extent than is the case for most ordinary workers, a career trajectory of future earnings links the interests of managers and experts to the interests of the firm. Because their interests are more closely identified with those of the firm, the kinds of norms of obligation that characterize hegemonic integration of workers are likely to work even more strongly among managers.

Second, the critical basis for promotion up managerial and professional hierarchies is the *positive* demonstration to superiors of one's achievements and one's loyalty to the welfare of the organization (or, in some circumstances, loyalty to the superiors themselves).<sup>15</sup> The individual manager therefore assumes the role of a self-promoter, having to prove to superiors that he or she is worthy of promotion. In effect, much of the work of monitoring of performance is done by the person being monitored.<sup>16</sup>

Third, the existence of career trajectories creates a particularly valuable *asset* for managers and experts, their *reputations*. When managers and experts apply for new jobs, they are required to submit résumés with lists of achievements and names of people willing to write letters of

14. Careers, of course, are not logically inconsistent with a system of pervasive surveillance and threats, and there certainly do exist career structures within which behavioral compliance relies significantly on coercion. Nevertheless, as a solution to the problem of eliciting behavioral compliance, career structures tend to develop under conditions where direct domination is likely to be especially ineffective.

15. See Alvin Gouldner, *Patterns of Industrial Bureaucracy*, New York 1954 for a discussion of the distinction between *expertise* and *loyalty* as two logics of promotion up bureaucratic hierarchies.

16. In her study of the restructuring of American Security Bank, *Managing the Corporate Interest* (Berkeley, Calif. 1990), Vicki Smith shows how managers are persuaded to manage each other out of the corporation. Rather than monitoring middle managers, top managers organized an effective system of self-surveillance and self-monitoring that provided the justification for removing middle managers. This process was all couched in the terms of an elaborate corporate culture that emphasized the responsibility and autonomy of managers. Here we see the operation of a powerful hegemonic system supported by norms of *responsibility* and *fairness*.

reference. Since reputation depends not simply on the absence of transgression but also on the demonstration of *publicly recognizable* accomplishment, it also tends to generate active responsibility on the part of managers.<sup>17</sup>

This kind of career structure of social control generates what Wright has called "loyalty rents" in the wages of managers and experts. A loyalty rent is different from the employment rents in Bowles and Gintis's model of contested exchange. An employment rent is the amount of extra income needed for an employer to make the threat of firing credible to an employee. A loyalty rent, on the other hand, is the amount of extra income built into a forward-looking career trajectory needed to create a sense of obligation toward the firm. It is based on the normative principle of gifts and reciprocity in which managers and experts come to feel that they *owe* their firm something since the firm has been so *good* to them. Whereas initially the structure of prospective rewards is a way of tying the interests of managers to the firm and generating a particularly intense kind of strategic consent, once a person works within such a career trajectory obligations may be forged that generate stronger normative commitments to the welfare of the firm.

Contested exchange and the social practices that it entails are certainly a property of capitalist economies. Surveillance occurs in all firms in one form or another, and the threat of being fired is also ultimately available to deal with problems of serious social control. By elaborating the model of contested exchange in terms of short-side power, Bowles and Gintis have given considerably more precision to our understanding of this mechanism than existed previously. What is needed now is to elaborate an equally rigorous conceptualization of the other central mechanisms of extracting labor from labor-power and developing a deeper understanding of the concrete ways in which these various mechanisms are combined in different contexts of capitalist production.

17. In terms of the general model of "Contested Exchange," reputation could be considered another dimension of the "cost of job loss." Reputation functions rather like collateral in a financial loan: it assures that the individual will try to avoid default since this could lead to a loss of the critical asset. Reputation, of course, goes against the assumption of the model that all prospective employees are indistinguishable. In general, managers and experts with higher levels of reputation will have a higher probability of getting the good jobs. The critical issue in the present context is that the level of reputational assets is endogenous to the practices within the labor process.