

Hierarchy by Consent: How To Turn Workplace Monarchies into Social Democracies

Standards of living have increased dramatically over the course of human history, accelerating notably during the industrial revolution. This happened largely because commercial companies drove innovation which resulted in new technologies, solving complex problems that had long been considered facts of life and subsequently driving down costs for those solutions. One of the mechanisms which enabled this innovation was the hierarchical management structure that they typically employed, allowing delegation of authority and structured information sharing across their teams. Of course, all the innovation came at a cost, and we are now paying the price with rampant inequality, speculative bubbles, disinformation campaigns, and accelerating damage to our biosphere.

In this article I'll examine how hierarchies work, why they're good, why they're bad, and how we can improve upon the idea by incorporating social democracy into the empowerment of the executives at the top. My goal is to demonstrate that while operational hierarchies are necessary for complex problem solving involving large teams, they must be constrained and regulated by a superior administrative authority which enfranchises all stakeholders. This is true for governments and companies alike.

What is a Hierarchy?

In this context, a [hierarchy](#)^[1] is a social structure where decision-making authority is organized into ranks, with each person subordinate to a person with a rank above theirs and ending with a single chief executive at the top. Hierarchies have been used throughout history to manage large projects, governments, and militaries. A king or queen at the top of an absolute monarchy is an example of a purely hierarchical government.

Information flow through a hierarchy is much different than information flow through a "flat" management structure. Operational information, such as the status of different projects, tends to flow upward in hierarchies, while directives and goals tend to flow down. Subject-matter expertise can flow up, down, or laterally across an organization to where it is needed. This is in contrast to a flat management structure, where information flow is typically unconstrained.

Why Hierarchies are Good

Hierarchies do not simply empower certain decision-makers over others. Rather, they set up a system where formal decision-makers can delegate their task-completion and decision-making authority to a subject-matter expert with the requisite knowledge required to make an informed decision and complete the task. This type of trust enables

the organization to operate more efficiently and to make decisions that better align with its own strategic goals.

Dobrajska, Billinger, and Karim [studied a wind-farm installation firm](#)[2] and found that delegation is most likely to occur when the formal decision-maker is either overloaded with decisions or they lack the required knowledge to make the decision themselves. Interestingly, more people monitoring task completion tends to decrease delegation, especially when the formal decision-maker already has the requisite knowledge to complete the task. Additionally, delegation is most likely to happen during the execution phase of a project. During this phase, workers have more autonomy to get the job done, while in the planning and completion phases the management takes a more direct role in decision-making in order to constrain costs. This evidence demonstrates that real decision-making authority is allocated dynamically based on current working conditions and strategic goals.

Workplace hierarchies also improve team communication by eliminating unnecessary information flows. A formal decision-maker typically becomes familiar with the expertise and abilities of those who fall under them in the hierarchy, so they can act as facilitators by assembling the most appropriate experts to solve particular problems, even across multiple levels of the hierarchy.

Compare this to [worker's cooperatives](#)[3], with flat management structures. In these organizations, the lack of hierarchy can lead to unconstrained sharing of information and decision-making authority based on circumstance rather than any kind of coordinated operational goals. In other words, workers may be spending too much time and effort making decisions and not enough time working, leading to reduced productivity, innovation, and wages compared to conventional firms.

The advantage of a hierarchical management structure couldn't be any clearer: it enables structured information sharing and decision-making which increases an organization's ability to complete complex projects. Any socioeconomic system that is proposed to compete with traditional capitalism must take this reality into account.

Why Hierarchies are Bad

In order to frame this discussion in an understandable way, I need to make a distinction between an unconstrained hierarchy and a constrained hierarchy. An unconstrained hierarchy is a hierarchy which does not submit to a superior authority, while a constrained hierarchy must follow the directives of a superior governing body that could be democratic or hierarchical itself. Most modern companies fall into a gray area, with the government enforcing laws and regulations related to business, but with decreasing effectiveness in recent decades. A labor union can provide limited constraints on the operation of a company, but ultimately it cannot influence the hierarchy's fundamental goals.

Unconstrained hierarchies include autocracies and absolute monarchies, which wield absolute power over all the persons who live within their territorial borders or are declared subjects. Polybius was the first historian to describe how just monarchies

become tyrannical as part of the cycle of political evolution, a process known as [anacyclosis](#)[4]. His writings weren't just thought experiments, but were based on empirical observations of the evolution of city-states in ancient Greece. The unconstrained nature of an absolute monarchy allows the chief executive to implement policies cementing their own control over the organization, leading to them acting in increasingly self-interested ways at the expense of those lower in the hierarchy.

Many monarchies throughout history were hereditary, with executive authority being passed on based on family succession rather than any form of merit. This has led to many problems, from rampant corruption, to horrific inbreeding among the nobility, to tyranny and subjugation. Most importantly, this meant that successive generations of leaders were not necessarily aligned with the goals of the original monarch, leading them increasingly toward corruption and tyranny.

Tyrannical governments tend to be short lived unless they are supported by an outside actor. This is because they often arise during unstable periods or because they cause instability themselves. When this happens, the tyrannical hierarchy is usually replaced by an aristocracy, or rule by the elite. This is effectively a counsel of independent executives, as these aristocrats often lead companies themselves. This may be integrated with some form of representative democracy. In this way, the companies in an aristocracy could be said to be partially constrained.

This is an improvement over tyranny, of course, but because the aristocrats' goals don't necessarily align with the goals of the general population, aristocracy often devolves into oligarchy. In an oligarchy, the companies and their executives reinforce their own control and eventually wield absolute power in society, even if prop democratic systems are in place to provide a public appearance to the contrary. The oligarchs and their companies become unconstrained.

In modern terms, capitalist companies often [go to great lengths](#)[5] to resist the unionization of their workforce because it would place partial constraints on their operations. Often, this is less about specific wages and more about who gets to be in control. Additionally, these companies spend [incredible resources lobbying](#)[6] the government to make decisions on their behalf, and these decisions do not necessarily align with the best interests of the general population.

Unconstrained and partially constrained hierarchies take whatever steps they deem necessary to achieve the goals of the chief executive and to reinforce their own control structures. This leads to repression, wage suppression, wage theft, discrimination, poor working conditions, disinformation, invasions of privacy, and a host of other problems that have plagued human social constructs for as long as they have existed.

What We Can Do Differently

Many proposals have been put forth throughout history to create a stable and equitable socioeconomic system, but even the best of these are subject to decay and corruption over time. Liberal-capitalist proposals favor empowering and unconstraining hierarchies in order to increase innovation and productivity. On the other hand, proponents of

collectivism often argue that hierarchy should be largely eliminated in favor of deliberative bodies to improve equity in society.

My proposal takes key components from each side of the argument and incorporates them into a single business organization, specifically a type of worker's cooperative. An administrative authority is elected democratically to provide general leadership, while a strategic authority is separately elected and empowered to create an operational hierarchy with which they can achieve their operational goals. This type of organization is called a strategic union.

The key to a strategic union is that the hierarchy is designed to meet the standard for Hierarchy by Consent, which is defined here: the concept that a chief executive at the top of an operational hierarchy should be legitimized in their position by a popular election enfranchising all stakeholders. The administrative authority is responsible for preventing the chief executive from reinforcing their own control or acting in ways that are contrary to the best interests of the organization, which increases the likelihood that executive elections will continue to meet the standard over time.

In my model, the workers and the owners of the cooperative are the same people, and each person is prevented from purchasing more than 1,000 shares of company stock, collectively known as an Equal Ownership Share (EOS). The supreme governing body of the cooperative is the General Conference, which makes decisions by popular vote. Workers are paid a wage based on their role and an approved pay scale for social equity as well as dividends from the surplus. This aligns with collectivist ideals because the cooperative is jointly owned by the workers and nobody else, meaning that they collectively define the objectives of the company.

The General Conference elects company leadership in a structured way, starting with the administrative authority. The first officer elected is the President. The President acts as the head of the labor union and is the primary facilitator of company business. The president serves on the Board of Directors and additional directors are elected as needed.

Owners then submit strategic business plans designed to generate revenue for the cooperative by implementing an operational hierarchy to complete productive work. The business plans are the basis for the election of the CEO, which is voted on by popular election, preferably by [ranked choice](#)[7]. An effective business plan would carefully consider who would fit best into each role in the hierarchy, and the prospective executive would therefore be at an advantage if they considered the wishes and aptitudes of their colleagues when drafting their plan.

This creates an organization governed democratically, but with an operational hierarchy for productive work. The goals of the workers and the goals of the management become aligned, potentially leading to increased overall productivity. In my model, the CEO is paid a percentage of the total business income they generate as a bonus, meaning they will seek to maximize the surplus. Meanwhile, the President is paid a percentage of the total payroll as a bonus, and therefore seeks to maximize social equity. This back and forth should create a cycle reminiscent of the idealized [political pendulum](#)[8], stabilizing the organization while maximizing the financial return for the owners.

Counterpower

Perhaps the most frustrating thing about living in the modern world is the feeling of helplessness in the face of large societal problems. By creating highly productive worker's cooperatives, we can begin to build up an alliance of organizations whose goals align with the best interests of their own workers. As these organizations grow, they will eventually gain the resources needed to engage in their own lobbying efforts. It is through this bottom-up change that we can begin to build [Counterpower](#)[9] and wield real influence in the management of society. This will also help us to break the cycle of anacyclosis, as the corruption of a cooperative's management would likely lead to its dissolution before it is able to significantly harm society.

[1] https://en.wikipedia.org/wiki/Hierarchical_organization

[2]

https://www.researchgate.net/publication/271014874_Delegation_Within_Hierarchies_How_Information_Processing_and_Knowledge_Characteristics_Influence_the_Allocation_of_Formal_and_Real_Decision_Authority

[3] https://en.wikipedia.org/wiki/Worker_cooperative

[4] <https://anacyclosis.org/portfolio/what-is-anacyclosis/>

[5] https://uslawexplained.com/union_busting

[6] <https://www.statista.com/topics/11840/lobbying-in-the-us/>

[7] [https://ballotpedia.org/Ranked-choice_voting_\(RCV\)](https://ballotpedia.org/Ranked-choice_voting_(RCV))

[8] https://en.wikipedia.org/wiki/Cyclical_theory

[9] https://en.wikipedia.org/wiki/Dual_power

APPENDIX A: Diagrammatic Representation

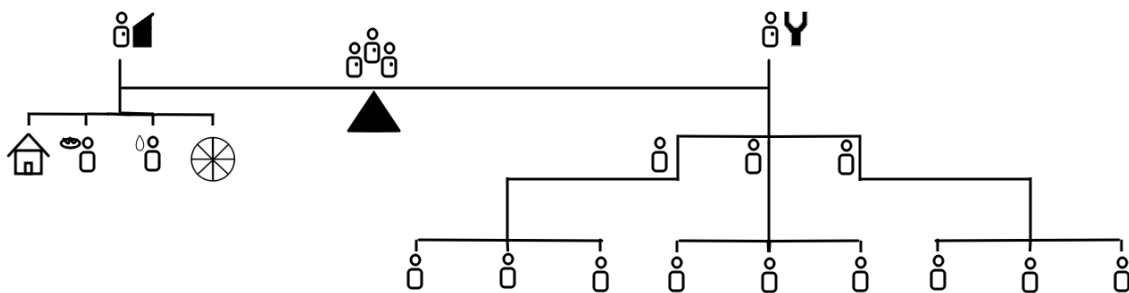


Figure A1: Diagrammatic representation of a Strategic Union. The elected President on the left, overseeing operations, needs, and internal equity. The elected CEO on the right, operating a production hierarchy to meet the financial needs of the organization. The elected Board of Directors in the middle, maintaining balance.