

"Stakeholders and Terrorists:

On Carol Gould's *Democratizing Globalization and Human Rights*"

In *Philosophy Against Empire*, eds. Tony Smith and Harry van der Linden, *Radical Philosophy Today*, v. 4 (Philosophical Documentation Center, 2006)

David Schweickart

There are many things in this book that I like. I like Gould's basic philosophical framework--her "social ontology" of human beings conceived of as individuals-in-relation--which was developed in her earlier works, *Marx's Social Ontology* and *Rethinking Democracy*. I like her use of a feminist "ethic of care" throughout, even to ground human rights. This latter move is surprising in light of Carol Gilligan's provocative (and in my view insightful) contrast between an ethic of rights (characteristic of conventional male moral reasoning in our culture) and an ethic of care (more characteristic of the moral deliberation of women).¹ But if human rights are conceived of as *positive* claims on others--as Gould argues, convincingly, they should be--then these claims have force only if we *care* for others and can related to them empathetically.

I like the diversity of topics this book addresses: racism and democracy, cultural identity and group rights, women's human rights, the global "democratic deficit," implications for democracy of the internet, and more. Rather than sketch an overview of the book, or comment superficially on its many significant issues, I will concentrate here on just two essays.

"Democratic Management and the Stakeholder Idea"

Let us start with a brief summary of the essay. Gould observes that "stakeholder theory" seems to have replaced advocacy of democratic or participatory management schemes in the field of business ethics in recent decades. "Stakeholders," so the theory goes, include suppliers, customers, employees, stockholders and the local community. Managers of firms are obligated (ethically) to appropriately balance the interests of all relevant stakeholders.

Gould observes that this theory, in its early formulations, was concerned with democratic governance, but it seems to have evolved into little more than advice to managers. She wishes to reverse this trend. So she inquires into the normative justifications for stakeholder governance. To what principle might one appeal to justify extending democratic rights to stakeholders? One likely candidate--that those affected by decisions have a right to participate in making those decisions--is rejected on the grounds that its scope too broad. Another--that those subject to managerial authority have the right to participate--seems too narrow, since it applies to employees only. Gould settles on the principle that those who are members of an organization whose actions will be guided by the decisions have governance rights. A *prima facie* right to participate in governance is thus extended to employees, managers, the board of directors and stockholders.

These are the "insiders." She argues that those *outside* the enterprise who are seriously affected, while not having governance rights, have "quasi-democratic" claims on enterprise behavior. Managers are thus obligated to solicit input from these sectors, and to attend to it.

I am not entirely satisfied with Gould's position. Although she advocates "democratic management," this "democratic management" is no longer worker-self-management. Those participating in the "democratic management" of the firm are not simply the workers, but also managers, the board of directors and stockholders. That is to say, the classic conception of

"democratic management" has been replaced by something that might be better termed "shared governance."

The "classic conception," as articulated by Robert Dahl, Michael Walzer, David Ellerman, myself and many others, sees the firm as being of the same form as a political community, and so, vests ultimate authority in those who "reside" there, namely, the employees, one-person, one-vote.² Gould's version, in contrast, is a power-sharing arrangement in which each of four constituencies participate. She does not indicate how exactly these four constituencies will interact, although she does note that "employees have a special place among stakeholders" given the high cost of their "exit" option.

One has to ask: Why the shift? The motivation isn't altogether clear. Gould cites "numerous criticisms lodged against such schemes of employee participation" (220) and asserts that "workplace democracy has come to seem too stringent a requirement for management" (221). She speaks of "coming up against the overly demanding desiderata of workplace democracy" (224).

It's not clear whether she agrees with these criticisms. In any event, she does not give even a hint as to *what* those criticisms are, *to whom* the requirement of workplace democracy has come to seem too stringent, or *why* the desiderata of workplace democracy is overly demanding.

To be sure, there have been "numerous criticisms"--but in my view none of them are valid. I would suggest that resistance to arguments for extending full democracy to the workplace is not based so much on cogent counter-argument as it is on the fact that the conclusion is simply too much for mainstream business ethics to swallow. (One needn't be a Marxist to notice institutional constraints on how far a line of reasoning may go before it

becomes unacceptable in polite company--although being a Marxist makes one particularly sensitive to such constraints.)

It is bad enough for business students (the prime constituency for business ethics courses) to be told that the corporations for which they aspire to work too often engage in bribery, deceptive advertising, environmental despoilation, employee harassment, and various forms of financial chicanery. This may be disheartening, but it's something they already know. They can at least tell themselves that they will resist such temptations. But to tell them that the structure of the modern corporation is fundamentally unethical . . . hey--that's going too far!

The fact of the matter is, there are no good philosophical or economic reasons for *embracing* democracy as the best mechanism for governing a nation or province or community yet *rejecting* democracy as the most desirable means for organizing a large business enterprise. There are no good normative grounds for making this distinction, nor any cogent empirical evidence that workplace democracy won't work. To the contrary, there are a great many studies indicating that it does.³

Let me offer a second criticism of Gould's version of stakeholder theory, one that goes deeper than the first. Let us focus on those stockholders, who are also accorded democratic rights under Gould's version of stakeholder theory. Stakeholder theory, in its current form, downplays the issue of democratic governance, a defect Gould tries to correct. But both mainstream theory and her own avoid completely an even more fundamental issue--the legal/ethical entitlements of stockholders: the right to participate in corporate governance and the right to income.

Consider the right to participate. According to Gould, being bound by the decisions of the decision-makers gives one the right to participate in the decision process. But stockholders are not bound by decisions of the company, so that justification doesn't apply.

To be sure, stockholders are *affected by* those decisions--but so are employees, customers, suppliers and the community. Stockholders have readily available the "exit" option if they don't like the decisions a company makes. Indeed, this option is far more readily available to them than to employees, and it is not available at all to the community.

It might be objected that this argument is disingenuous, for stockholders could be affected *in their very essence* by an enterprise's decision. An enterprise could decide to pay no more dividends to stockholders, keeping all the profits to itself, negating the very point of stockholding. But notice, this difficulty could be overcome without granting participation rights. When a share of stock is issued, it could be accompanied by a contractual specification that X% of the profits would always be paid out.

This train of thought leads to a more fundamental question. Why does the stockholder have a right to any income at all? The right to income, that most basic stockholder right, the *raison d'être* of owning stock, is passed over in silence by stakeholder theory. Yet this right is highly problematic from a philosophical point of view.

The ethical canon that must be invoked to justify stockholder income is, presumably, the canon of "contribution." But there are at least two reasons for doubting its applicability here. Let us ask two questions:

What exactly does a stockholder "contribute"? Certainly not her labor or managerial expertise--at least not in her role as stockholder. (If she works for the firm, she is compensated separately for that.) In the typical case, the stockholder does not even contribute *money* to the

firm. Except in those rare instances when one purchases newly-issued stock, buying stock involves giving money to another stockholder--not to the company. For the overwhelming majority of firms, net cash flow in a given year is *from* enterprises *to* stockholders. So the stockholders are not, collectively, contributing money to the productive sector, but taking money out--money that otherwise might have gone to higher worker salaries or technological upgrades. Not much "contribution" there.

Even if we allow for an initial contribution by the initial purchaser, why should this contribution give rise to an *infinite* entitlement? Which it does. Once the value of the initial contribution has been repaid, perhaps with a premium for the service rendered, why is not the company's debt retired? Why must it keep paying out a share of its profits forever to whoever happens to hold the piece of paper initially issued?

The unreflective response to this question is to assert, "That's the way the system works!" But, of course, that's not a philosophically respectable answer. There may have been good reasons, once upon a time, to permit contracts granting both control rights and a permanent right to share of the profits to those who purchased a company's stock, but it should be asked--by political philosophers and business ethicists--whether these reasons are still valid. I would argue--and have argued repeatedly--that they are not.⁴

Let me be clear. I regard stakeholder theory, particularly Gould's version, which give special weight to employees, to be an important advance over the conventional theory of the business enterprise, which holds that managers of enterprises are simply agents of the company's owners, i.e., the stockholders, and hence obligated to maximize profits unless explicitly instructed to do otherwise. I do *not* regard stakeholder theory as irrelevant to real-world concerns, a feel-good theory for business ethicists and business students. It is important to

establish the principle that those who make decisions regarding enterprise policy have moral obligations that extend beyond maximizing owner-profits. Corporations are facing a kind of "legitimation crisis" these days, well-deserved. It's important to keep the pressure on. Shared governance is more desirable than corporate authoritarianism, readily defensible on both economic and ethical grounds, and--I would argue--an important step toward something more.

At the same time philosophers should be clear that stakeholder theory leaves certain crucial premises unexamined, and that a careful examination of these premises calls into serious question the fundamental structure of the existing economic order, i. e, globalized capitalism.

On "Terrorism, Empathy and Democracy"

Meditating on 9/11, Gould asks about the applicability of the concepts of empathy and democracy to terror and terrorism. She begins with empathy--and Hannah Arendt. She observes that Arendt's "banality of evil" thesis is inadequate here, but Gould finds her notion of "imaginative representation," which Gould identifies with "empathy," more promising. The terrorists, Gould observes, show themselves to be utterly devoid of empathy. However, she argues, we should not fail to empathize with those for whom the terrorists claim to speak.

Regarding democracy, Gould observes that *substantive democracy* (for which she has been arguing throughout this book) involves listening to, and taking reciprocally into account, the position of others, and hence is antithetical to terrorism. However, as she points out, Western "democratic" countries routinely support authoritarian regimes that often give rise to terrorism (e.g., Saudi Arabia). Moreover, Western democracies have their own home-grown terrorists

(Oklahoma City, abortion clinic bombings, Red Brigades, ETA). Hence, democracy--at least in its current form--does not inoculate against terrorism.

What is needed to undercut terrorism (and to bring about a more humane world generally), she argues, is a fundamental synthesis of substantive democracy and human rights, the latter including both political rights of participation and economic rights to means of subsistence

This essay is fine as far as it goes, lucid and insightful, but it does not go far enough. A large and difficult question surfaces in her discussion that remains unaddressed: *Should we empathize with the terrorists?* Not for strategic reasons, so as to be able to head them off, but for moral reasons? Does the moral obligation to empathize (if there is such an obligation) extend to the terrorist--or has such a person placed himself (it is almost always a "him," as Gould points out) beyond the moral pale.

As Gould herself notes, empathy does not entail *accepting* the viewpoint of the other. It merely entails "listening to others and responsibly (as well as responsively) reconstructing their views for oneself, and doing so with fellow-feeling" (252).

Gould takes a few steps down this path in considering the gendered nature of terrorism. Roughly 80% of terrorists are men, and their justificatory rhetoric tends to be different from that of female terrorists. Apart from those seeking to please the men with whom they are involved, female terrorists seem to see terrorism as a way of protecting their families, homes or communities. Male terrorists, by contrast, tend to justify their actions more grandly, as building a society based on religious or political ideals.

I wish she had gone further, for there is something philosophically troubling about at least one kind of terrorism that we are experiencing today, at least to those of us who were

influenced philosophically by the existentialist meditations of Sartre, Beauvoir, and (especially) Camus. What are we to make of "suicide bombers" and those young men who directed those airplanes into the Twin Towers, knowing with absolute certainty that they would die in the process?

The combination of terrorism with suicide is historically rare. State terrorism, of course, has never been suicidal or even particularly risky for those who give the orders. (Can one imagine George Bush strapping explosives to his body and asking for a meeting with Saddam Hussein?) Non-state terrorism has always been a *high-risk* enterprise, but notice, Timothy McVeigh, abortion clinic bombers, members of the Red Brigades or ETA--none of these perpetrators engaged in deliberate, premeditated *suicide*.

We might recall that Albert Camus was willing to condone the killing of others only on condition that the killers give up their own lives--as did the anarchist heroes and heroines of "The Just Assassins." The death of others must be paid with one's own willing death. This was his exacting credo.⁵ To be sure, Camus's "just assassins" did not target the innocent, but he did allow premeditated murder, provided one was willing to pay with one's own life.

Sartre, Beauvoir, and Camus always accorded high respect to those individuals willing to put their lives on the line for the values to which they were committed. Indeed, this ability to sacrifice one's life for a value is seen to be a distinctively human trait, one that, in fact, *creates* value. The "rebel," in freely giving of his life, asserts by this action that there exists something more important than life itself.

So what are we to make of these "suicide bombers," now so common that we scarcely pay attention--at least as long as they are far away? Gould notes that they are often middle class--so we can't see their behavior as an instinctive response to material deprivation (which, in any

even, rarely gives rise to such behavior). I honestly don't know. I wish I did. Not for strategic reasons. I'm in no position to prevent young men (or women) from blowing themselves up. But these are human beings--not so different, we must presume--from you or me. I don't know whether I'm feeling the pull of some obscure moral imperative, or whether it's only intellectual curiosity, but I'd like to know how I would have to think and feel for such a course of action to seem morally right to me.

I'm not really faulting Gould for not addressing this issue, although I would have been pleased if she had.

By way of conclusion: I've focused on only two essays in this rich collection. These two struck me most forcefully, but I could have written at length on many others. Let me recommend that you pick up this book, and savor the other essays as well.

Notes

¹ Carol Gilligan, *In a Different Voice* (Boston: Harvard University Press, 1982).

² Cf. Robert Dahl, *A Preface to Economic Democracy* (Berkeley: University of California Press, 1985), Michael, Walzer, *Spheres of Justice: A Defense of Pluralism and Equality* (New York: Basic Books, 1983), David Ellerman, *The Democratic Worker-Owned Firm: A New Model for East and West* (Boston: Unwin Hyman, 1990), David Schweickart, *Against Capitalism* (Cambridge: Cambridge University Press, 1993) and *After Capitalism*: Lanham, MD: Rowman and Littlefield, 2002).

³ For a thoroughgoing defense of these claims, see my *Against Capitalism* and *After Capitalism*.

⁴ *Ibid.*.

⁵ For the main argument, see *The Rebel: An Essay on Man in Revolt* (New York: Vintage International 1991; first published in 1956). For the play itself, see *Caligula and Three Other Plays* (New York: Knopf, 1958).