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McMahon on Workplace Democracy

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ABSTRACT. This paper offers a sympathetic critique of Christopher McMahon's *Authority and Democracy: A General Theory of Government and Management*. Although I find fault with some of his arguments, my goal is not to show that these arguments are irreparable, but to highlight issues that deserve further consideration. After defining some terms, first, I raise an objection to McMahon's rejection of the moral unity of management (MUM) thesis. Second, I draw attention to his "moralization" of the workplace, and examine the role it plays in his arguments about the relative strengths of the different kinds of authority. Third, I raise questions about his reliance on an analogy between states and firms. I suggest that states and firms are in some ways more alike, but in other ways less alike, than he allows.

KEY WORDS: authority, democracy, government, management, McMahon

In his book *Authority and Democracy: A General Theory of Government and Management*, Christopher McMahon presents a rich and novel defense of workplace democracy. Along the way, he offers insights about authority, autonomy, rationality, democracy, and liberalism. Even those who are not convinced by his arguments are challenged to think about the workplace in new ways.

Although it has been more than 10 years since its publication, *Authority and Democracy* remains the most philosophically sophisticated discussion of workplace democracy. And this subject has only increased in significance. A lot of people spend a lot of time at work. According to the Bureau of Labor Statistics (2005), the labor force participation rate in the U.S. is 66%, which means that approximately 140 million people in the U.S. currently hold jobs. So it is vital that we consider how the workplace should be organized. McMahon's book helps us to do that.There is much in his book that, due to space constraints, I will not discuss. I begin with a brief summary of McMahon's three kinds of authority, and discuss their role in his argument for workplace democracy. Then I make three critical points. First, I raise an objection to McMahon's rejection of the moral unity of management (MUM) thesis. Second, I draw attention to his "moralization" of the workplace, and the role it plays in his views about the relative strengths of the different kinds of authority. Third, I raise questions about his reliance on an analogy between states and firms. I suggest that states and firms are in some ways more alike, but in other ways less alike, than he allows.

Three kinds of authority

McMahon distinguishes three kinds of authority. First, there is the authority of expertise, which he calls e-authority. Someone who knows a lot about beetles, for example, would have e-authority on beetles, and could tell us what to believe about them and how to act around them. Second, there is authority founded on the promise to obey, which is p-authority. Roughly, A has p-authority over B if B promised to obey A. Finally, there is authority that facilitates cooperation, or c-authority. Sometimes cooperation is better for the individual than non-cooperation. For example, each of us does better by our own lights if we all follow the traffic laws than if we do not. Authority that facilitates such cooperation is c-authority. Each type of authority has a different robustness and reach, and is appropriately exercised a different way.

It is a mistake to think managerial authority is only *one* of these types of authority. According to McMahon, managers can claim legitimacy for their authority on multiple grounds. Managers are experts in

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their fields, and employees have, in some sense at least, promised to obey them. But also, managers coordinate the activities of employees in a way that helps employees to advance their own conceptions of the (moral) good. So managers have e-, p-, and c-authority over employees.

McMahon argues that e- and p-authority are not very strong kinds of authority, and would not justify giving managers the powers over employees they are now thought to have. C-authority, however, is strong, and does justify giving managers these powers. According to McMahon, this paves the way for workplace democracy. There is no presumption that e-authority and p-authority should be democratically exercised. But there is a presumption that c-authority should be. McMahon appeals to the values of fairness and welfare-maximization to make this case. Since it is only a presumptive case, however, it can be overridden or tempered by competing considerations. McMahon ultimately concludes that the case for democracy in the workplace is strong, but not as strong as the case for democracy in the state.

The moral unity of management thesis

Talk of justifying authority in the firm by means of expertise, promises, or mutually beneficial cooperation may seem a bit premature. It might be thought that property rights give managers the right to direct their employees' actions. McMahon considers this idea early on.

According to the MUM thesis, "the same basic moral consideration underwrites, and confers legitimacy on, both of the two main aspects of the management of a productive organization: the management of property (or capital) and the management of personnel (or labor)" (McMahon, 1994, p. 16).[1] The individuals who own a physical plant, for example, have the right to control its use. If the MUM thesis is true, then the owners' property rights in the plant imply the right to control employees' actions in the plant.

McMahon thinks this thesis is false. When a person owns something, he says, he has *exclusive* physical control over that thing. That is, he can exclude people from using it. But he can not direct them to do anything he wants with it. Suppose, for example, that B is driving A's car. If A says to B, "Drive me to the grocery store or get out," then B must drive him to the grocery store or get out. But B is not obligated to drive A to the grocery store if A orders him to (without giving him the option of exiting the car), even if the car he is driving is A's. Analogously, according to McMahon, management needs something more than property rights to justify their authority over employees, because an entitlement to property ownership is not an entitlement to direct how such property should be employed by agents.

What about the fact that people need access to productive resources to live well? McMahon acknowledges that this gives an owner of such resources "the ability to force nonowners to do what he tells them to by threatening them with unemployment if they do not" (17). But, he says, this ability is "not a *right* to direct [nonowners'] actions and thus does not itself constitute legitimate authority" (17).

At this point an object might be raised. Without challenging McMahon's denial that property rights imply legitimate authority, is it not open to managers to claim that they do not need the latter as McMahon characterizes it? Without legitimate authority, they lack the right to *direct* employees' actions. But all they need to do as managers is to *control* them. This can be accomplished by closing off to employees every option but one, which property rights allow them to do. In other words, owners of productive resources can legitimately tell users of them: "Do what I say with them or get out." Since employees need access to productive resources to live well, this is enough to control employees' actions, which is all managers need to do.

It might be replied that because the activities of business organizations are enormously complex, managers need not merely to control their employees' actions, but to coordinate them. And for this they need genuine authority, as opposed to mere control. This argument assumes that there is a deep difference between control and coordination, but there is not. Provided I can control people's actions, I can coordinate them. Suppose I own a widget making and packaging operation that employs two people. If my ownership is legitimate, I can legitimately tell one of my employees "Make the widgets or get out," and the other "When the widgets are made, package them or get out." We have assumed that, because people need resources to live well, this gives me control over my employees' actions. But notice that through this control, I have coordinated their actions: one makes the widgets, the other packages them once they are made. It follows that control is sufficient for coordination.

McMahon does not take this objection very seriously. A possible explanation for this is found in his view of management. He says "[m]anagement ... takes place within a practical sphere – a set of alternatives – determined by what the owners of the productive resources involved will allow" (17). So McMahon assumes that owners give managers a set of alternatives. Then the question is where managers get the additional authority to direct employees to engage in one of the alternatives. However, if owners gave managers only one choice – or if the owners were also the managers – then this additional authority would not be required, and managers would have all the "authority" (i.e., legitimate control) they need through property rights.

Moralizing the workplace

If we reject the MUM thesis, as McMahon does, then the question arises: what is the basis for legitimate authority in the firm? Central to McMahon's answer is his novel view that the workplace is thoroughly "moralized." This functions as a premise in his argument that only c-authority – the only kind of authority for which there is a presumption of democratic exercise – is strong enough to justify the extensive powers managers now have. I put forward two worries about this view below, but in this section I am equally interested in drawing attention it, and identifying the role it plays in McMahon's argument.

The sense in which the workplace is moralized is that "moral considerations are relevant both to the choice of ends for an organization to promote ... and to the choice of means to these ends" (275). As a result, "[t]o comply with managerial directives is often to contribute to a moral and political agenda" (170). Now it is a fact of life that different people have different moral views. By complying, then, employees may be contributing to a moral and political agenda they do not share. So, McMahon says, "an adequate justification of authority must explain how managerial directives can preempt moral reasons for declining to comply" (170).

McMahon's view that the workplace is moralized explains why he thinks e- and p-authority are weak, and why c-authority is strong. The directives of managers qua e-authorities fail to preempt, because while managers are business experts, they are not moral experts, and their decisions have moral implications. Thus there is a sense in which managers are not e-authorities compared to their employees. The directives of managers qua p-authorities are similarly weak, according to McMahon, because the employee's promise to obey a manager, which is the basis of p-authority, is routinely outweighed by more important moral considerations. But the basis of the manager's c-authority is the employee's own moral good: McMahon says that employees will better achieve their own moral good if they obey managers than if they do not. And certainly, an employee's moral reasons for declining to comply with managerial directives can be "preempted" by even stronger reasons of her own (her own because they appeal to her moral good) for complying.

The idea that, by performing their jobs, employees may be contributing to a moral and political agenda they do not share conjures up ideas of employees being required to perform deeply immoral actions, such as dumping toxic waste into a community's water supply, or to use McMahon's example, loading people onto trains bound for concentration camps. However, McMahon offers detailed arguments in chapters six and seven to show how even the most mundane of employees' actions can have moral dimensions. In chapter six, we are reminded that firms can promote or thwart a variety of morally important goals, such as "the maintenance of an effective national defense, the preservation of the environment, the advancement of knowledge, the development of culture, the fostering of community...and the advancement of public health" (175). Moreover, McMahon says, "seeking profit in reasonably competitive markets," which almost all private firms do, "is conducive to the moral value of social prosperity" (183). In chapter seven, he argues that employees can promote or thwart these goals in a variety of ways: as individuals or as collectives, by commission or omission. He focuses, in particular, on showing how a group's reason to produce (or not to produce) a certain outcome gets transferred to members of that group.

A full discussion of these arguments would take more space that we have here. Instead, I will make two general points. First, I suggest that believing one is contributing to a moral agenda one does not share does not necessarily give one moral reasons for declining to comply with managerial directives, and hence does not necessarily give rise to the problem that only c-authority is said to be able to solve. Second, I note that moralizing the workplace is in one way problematic.

First, McMahon is right that, in a liberal society, there will be a considerable amount of first-order disagreement about morality among employees and managers. A manager might order his employees, partly for moral reasons, to promote policy P. However, if an employee were the manager, then partly for different moral reasons, he might have ordered his employees to promote policy Q. But first-order disagreement about the moral acceptability of managerial decisions is compatible with second-order agreement about their acceptability. That is, both managers and employees might think that morality – specifically, the moral value of *loyalty* – requires employees to obey managerial directives. So, even if the employee would have prescribed, partly for moral reasons, a different course of action, he might agree that, for stronger moral reasons stemming from loyalty, he should now put aside all thoughts of what he would have done if he were in the manager's position and do what the manager says. This suggests that employees have moral reasons for declining to comply with managerial directives only if (i) by complying they are contributing to a moral agenda they do not share, and (ii) they do not place a high moral value on loyalty.

It might be replied that this begs the question. An employee has reason to be loyal to a firm only that firm has legitimate authority over him. But whether firms have legitimate authority over their employees is precisely what is in question. This misunderstands the nature of loyalty. We can have reason to be loyal to persons and groups who do not have legitimate authority over us, such as family members and friends, and perhaps even clubs and sports teams. An employee would not be conceptually confused, then, in thinking that there is value in being loyal to his firm, and that this value outweighs other moral considerations, even if his firm lacks legitimate authority over him. To this it might be replied that, whatever employees *think* about the importance of loyalty, it is not *actually* an important moral value. According to this response, if, by complying with managerial directives, employees would be contributing to a moral agenda they do not share, then they have moral reasons for declining to comply that are not outweighed by the value of loyalty, whether they recognize this or not. But this response is not open to McMahon. He is usually agnostic about the importance of particular moral values (cf. 82–83, 92–94, 194), so it seems that he should be agnostic in this case as well.

This point is not devastating to McMahon's argument. It suggests, however, that there are fewer employees who have moral reasons for declining to comply with managerial directives than he thinks. Only a subset of the employees who do not share the moral agenda of management, viz., the employees who also do not place a high moral value on loyalty, will have such reasons. How small this subset is is an empirical question. But if it is very small, it seems less pressing that we discover reasons that such employees should comply with managerial directives.

Let us turn to the second point. I noted above that McMahon's moralization of the workplace is essential to his views about the relative strengths of the different kinds of authority. What I now want to suggest is that this has a downside; it is possible to have *too much* morality in the workplace.

One of the problems with consequentialism is that it gives us *too much* morality, i.e., it moralizes *every* action. Suppose I am trying to decide whether to order a Guinness or a Bass at the hotel bar. Intuitively, this action is morally innocent. I can do whatever I please – neither option is morally better than the other. Consequentialists do not see it this way. They claim that there is a right and a wrong about it. I should figure out what creates the most good for me, for the bartender, and perhaps for the other patrons in the bar, and act accordingly. Consequentialism gives us very little in the way of moral free space, and for this reason it is difficult to accept.

McMahon's view of the workplace shares some of these difficulties. It does not require great personal sacrifices of workers, in the way that consequentialism is thought to require, e.g., giving away all of one's money until one is no better off than the person one is helping. But, like consequentialism, it finds morality everywhere. Since, according to McMahon, ''virtually all'' of the decisions of top managers and middle-level managers have a moral dimension (170–171), virtually all of the actions of employees who carry out their orders are morally evaluable. Their actions can be fair or unfair to a variety of stakeholders, and can promote or thwart a variety of morally valuable goals. To some non-consequentialists, this will seem wrong. To be sure, some actions in the workplace are morally evaluable. Indeed, sometimes serious injustices occur, and employees should do something about them – this is the point of the debate about whistle-blowing. How much moral free space employees (and managers) should have in the workplace is a difficult question. My suggestion is just that, in moralizing the workplace, McMahon may have given them too little.

Justifying democracy: states and firms

We said above that McMahon thinks (i) managerial authority is best understood as c-authority, in the sense that only c-authority is strong enough to justify their having the extensive powers they now have, and (ii) there is a presumption that c-authority should be democratically exercised. We showed how his moralization of the workplace plays an important role in his argument for (i). Now to establish (ii), McMahon appeals to the values of fairness and welfare-maximization. He summarizes the argument as follows: ''fairness supports democracy as a device for insuring that over time, each will get what he deems best about equally often (at least when there are no entrenched minorities), while welfare maximization supports democracy as insuring that the directive issued is deemed best by more people than not'' (258).

It is revealing that the bulk of McMahon's argument for this result occurs in chapter five. That chapter's subject is the state. In chapter nine, where McMahon treats the issue of workplace democracy, he assumes, on the basis of the conclusions reached in chapter five, that, other things equal, firms should be democratically managed. Chapter nine is then ''mostly...concerned with whether countervailing moral considerations offset the moral presumption created by fairness and welfare maximization in favor of the democratic exercise of c-authority in managerial contexts'' (258). According to McMahon, there is a presumption that c-authority should be democratically exercised, whether it is exercised in the state or in the firm (or in any other context). He recognizes that the countervailing considerations may be different in different contexts. Still, in this area of philosophy, as in many others, the conclusions one draws depend greatly on the assumptions with which one begins. So it matters that McMahon begins with the assumption that what is right for the state is what is right for the firm.

In general, I think this is a promising way of doing business ethics. Some writers (e.g., Phillips and Margolis, 1999) have called for wholly different normative theories for states and firms. This is extreme, and bad for the advancement of business ethics as a field. States and firms are alike in important ways; I see no reason why business ethicists should not borrow liberally from political philosophers, and vice-versa. Of course, McMahon recognizes some differences between states and firms, and on this basis, says ''the case for democracy in nongovernmental organizations is weaker than the case for democratic government'' (259). A discussion of all the morally relevant differences between states and firms is needed, but would take us far afield (cf. Moriarty 2005). Here I briefly suggest that the two differences McMahon identifies are not decisive, and that there is at least one significant difference he overlooks. Overall, however, I am sympathetic to his claim that there is a credible case for democracy in the firm, but that it is weaker than the case for democracy in the state.

McMahon doubts, first, that workplace democracy is ''compatible with achieving a socially optimal level of investment'' (267). Investors may not be willing to supply enough capital to firms if they are convinced that managers are more beholden to employees than to investors. Second, he suggests that, because of the technical nature of business, and because ''there is ... a large role for internal criteria in the selection of the managers'' (277), workers may need to cede some control to management-appointed experts to ensure that their firms operate efficiently. Indeed, workers may be eager to cede control in these cases, as they can see that the well-being of their firms, in which they have an interest, depends on their efficient operation.

These concerns tell against a thoroughgoing democracy in the firm. But it is not clear that firms and states differ substantially in these ways. Both firms and states (especially the U.S. at present) need outside investment to thrive. People may be nervous about investing in firms that are democratically managed, but they also may be nervous about investing in states that are democratically governed. Whether or not they are will depend on characteristics of the state or the firm that have little to do with whether it is democratic, such as whether it is corrupt or unstable. And both firms and states take expertise to govern effectively. It would be just as unwise to allow employees to elect their firm's Chief Financial Officer as it would be to allow citizens to elect their country's Chairman of the Federal Reserve Board. In this case also, it seems, the governed (viz., the citizens) would be not reluctant but eager to cede control to the governors (viz., the state). For the well-being of the state, in which they have an interest, depends on the efficient operation of its economy.

One difference between firms and states that McMahon does not consider, but that is relevant to his argument, is the difference in competitiveness between them. It is often said that, because of the toughness of the business world, firms need to be able to respond quickly to changes in the business environment. This counts against workplace democracy: democratic decision-making is slow and could put the firm's existence in danger. Presumably, this is one of the reasons armies are not democratically managed. In combat it is crucial to make decisions quickly. By contrast, states do not compete with each other as businesses do. They are usually not in danger of being put ''out of business'' by other states, and have the leisure to respond to changes in the political environment more slowly. Moreover, it is desirable that businesses compete and states do not: among other things, the former creates wealth; the latter allows for peace. We do not want a world in which states and firms face similarly competitive environments. This difference supports McMahon's contention that the case for workplace democracy is weaker than the case for democratic government.

Conclusion

The goal of this paper was not to show that McMahon's arguments for workplace democracy in *Authority and Democracy* are irreparable. To my mind, these arguments are more urgently in need of attention than criticism. Part of the reason for the lack of attention they have received, I believe, is their complexity. To this end, in this paper I examined several of the issues they raise, trying first to explain them, and second to criticize them. In section one, I distinguished McMahon's three kinds of authority and gave a brief overview of his argument for workplace democracy. Section two raised an objection to his MUM thesis. In section three, I called attention to McMahon's moralization of the workplace, examined the role it plays in his overall argument, and put forward two worries about it. Finally, in section four, I showed how his argument for workplace democracy assumes that there is a fundamental similarity between states and firms, and argued that they are in some ways more alike, but in other ways less alike, than he acknowledges.

There is much in *Authority and Democracy* that, due to space constraints, I could not discuss. Much of it deserves discussion. The topic of workplace democracy is important, and McMahon's book is one of the most sophisticated treatments of it available. I hope that other writers will pay it more attention.

Note

[1] All parenthetical references in the text are to McMahon, 1994. Hereafter I will cite this work by page number only.

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