



RICHARD DEGEORGE
Professor of Philosophy
University of Kansas

Moral Responsibility and the Corporation

by

Richard T. De George

Business ethics is a new and developing branch of ethical theory. If ethics is taken as a study of the foundations of morality, then business ethics might be taken as the study of the foundations of morality in business, or more generally as the study of moral norms in business activities. This certainly is part of what business ethics investigates. But there are problems in business ethics that require specific investigation and discussion and are not solved simply by applying norms of general ethics to particular situations in business. One of these specific problems with which I shall be concerned in this paper is the moral status of corporations.

The actions of human beings as well as their characters are appropriate objects of moral evaluation. We thus speak of people being moral or immoral, and appropriately call murder, theft and perjury immoral. Objects, generally speaking, are neither moral nor immoral, though they may be used morally or immorally. What of corporations? From a moral point of view are they like human beings, like objects, or significantly different from either?

In attempting to answer the questions of the moral status of corporations I shall start by summarizing three different views, each of which I believe to be both partially right and partially wrong. I shall call them the Organizational View, the Moralistic View and the Reductionist View.

The corporation raises especially interesting problems because of its distinctive legal status, stated clearly by Chief Justice Marshall in *Dartmouth College V. Woodward*: "A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of creation confers upon it, either expressly or as incidental to its very existence. These are such as are supposed best calculated to effect the object for which it was created."¹ A corporation is said to be a legal person, and is characterized by some as a fictional person. A corporation serves as a means of limiting the liability of those who own it. Any view of the moral status of corporations must take account of at least this much of a corporation's legal status.

I.

The Organizational View grows out of a vast literature of formal organizations developed by sociologists, political scientists, and organizational theorists.² Much of the work on which it is founded is empirical. These theorists have studied organizations in general, as well as corporations in particular, and have generalized their findings, usually in the form of a model.

Starting from the legal definition of a corporation, they go on to describe how corporations are organized and how they function. A corporation is typically established for a particular purpose or goal. A profit-making corporation is established not only to make profit but also to make a particular product or to provide a particular service. In order to accomplish its end it takes on a certain organizational structure, usually involving division of labor and typically structured hierarchically. There are many kinds of corporations--family-, closely-held, not-for-profit, public, holding company, conglomerate, multinational. I shall focus

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on the large, publicly-held manufacturing type corporation. Such a firm usually has a table of organization with designated positions. Each position has a function within the organization and carries with it certain tasks to be performed and obligations to be discharged.

Now according to at least the dominant interpretation of the Organizational View, the corporation is a legal person and a legal person only. It has only "those properties which the charter of creation confers upon it," and these do not include any moral characteristics. It is incorrect--a category mistake³--to consider the corporation a moral person, since it has none of the requisite characteristics of moral persons. It is inappropriate, therefore, to speak of it in moral terms or to evaluate its actions from a moral point of view. The theory goes even further, however. The positions in a corporation are filled, of course, by human beings. Human beings are moral agents. But one must not, this theory holds, confuse the actions of individuals qua moral persons with their actions qua members of a corporation. As employees of a corporation they fill a certain slot or position. They are hired to perform certain tasks, and they perform those tasks not in virtue of their distinctive individuality, but in virtue of their ability to discharge a certain function. They act, therefore, as agents of the corporation. As agents of the corporation they may not make independent moral judgments about what the corporation should or should not do from a moral point of view. They are to fulfill the objective of the corporation; and since the corporation is a legal entity, it is appropriately bound by law in its operation. But it would be inappropriate for any individual to apply what he perceived as the norms of morality to the corporation's operation under the mistaken assumption that the corporation was a moral entity. A person might be morally praised for giving his wealth to the poor. A corporate executive might well be sued if he decided to give the corporation's wealth to the poor, since the corporation's assets are not his to dispose of in whatever way he chooses. He is an agent acting for the corporation, and should not confuse what is his from what belongs to the corporation.

According to the Organizational View an individual in a corporation does not cease to be a moral being. Indeed, it is expected that employees of a corporation fill their positions conscientiously--that they put in a full day's work that they not steal from the corporation either by embezzlement or by taking home pencils and paper, and so on. But as agents of the corporation they are not personally morally responsible for actions they perform in their official capacity. Since the corporation is not a moral person it cannot be expected to be beneficent or altruistic in the way human persons might be expected to be, nor, since it is not a natural person and has no conscience or mind or will can it be expected to give itself the moral law. Just as the corporation is not a moral being, so those who act for it as its agents are not acting as moral beings when they act in their official capacity.

The upshot of this position is that it is a mistake to evaluate corporations or corporate activities from a moral point of view, and it is also a mistake to evaluate the actions of agents of a corporation from a moral point of view when they act in their capacity as agents. Both corporations and those who work for them can be and are bound by law. But any attempt to bind them by morality fails to understand their status and their function in society. Attacks on corporations for immoral actions are therefore the result of muddled thinking, are inappropriate,

and are either knowing or unwitting attempts to undermine the corporation and its role in society.

II

The Moralistic View develops in opposition to the Organizational View.⁴ It claims that corporations are not only legal persons. They are not only legal fictions. They are real, effective actors on the social scene. Corporations build plants and close them down. Corporations strip mine, exploit workers, pollute the environment. Corporations obviously and clearly do a great many things in addition to producing products and in the process of producing products or providing services. To deny this is to deny the obvious.

Now part of morality concerns the moral evaluation of actions or classes of actions. Hence, from a moral point of view, we can say that murder is immoral, that lying is immoral, and so on. These actions, the Moralistic View goes on, are immoral, whether they are performed by an individual acting in his capacity as a moral being or by a corporation. If a corporation lies in its advertising, its action is immoral, whether or not it is illegal. If it exploits its workers, and exploitation is immoral, its action is immoral. To claim otherwise is to claim moral immunity for corporate actions. To make its point strongly, it argues that if the Organizational View is accepted, then though murder by an individual is immoral, murder by a corporation is not. To go even further, if an employee of a corporation must kill a competitor to achieve the objectives of the corporation, then though it would be immoral for him to do so as an individual person, he may do so with moral impunity as an agent of the corporation. If this is a consequence of the Organizational View, supporters of the Moralistic View argue then there is clearly something wrong with the Organizational View. Nor will the argument that murder is illegal and hence that the agent is legally prevented from committing the murder do. For we can make the same point by taking some action which is immoral but not illegal.

Suppose we admit, for instance, that racial discrimination is immoral. In South Africa it is not illegal. According to the Organizational View it is improper to claim that corporations in South Africa which follow the apartheid laws are acting immorally. The Moralistic View, on the other hand, argues that apartheid is immoral and that corporations which follow the apartheid laws are acting immorally. It is because apartheid is immoral that pressure is being brought to bear on South Africa to change the apartheid laws. Since the Organizational View makes it logically impossible to morally condemn an immoral practice of a corporation, it is clearly deficient, defenders of the Moralistic View claim. Corporations are actors on the social scene. They act, and whether or not they act through agents, is beside the point. Since they do act, and can properly be said to act as rational beings insofar as their actions are geared to achieving their ends by rational decision making procedures, their actions can appropriately be evaluated from a moral point of view. Since their actions can be so evaluated they can be judged to be moral or immoral, and corporations can correctly be characterized, just as people can, as being moral or immoral in terms of the patterns of their actions.

To the legalistic claim of the Organizational View that corporations are legal

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entities only, the Moralistic View has a reply. The properties which a corporation has, according to Justice Marshall include those "incidental to its very existence." Since a corporation's actions are rationally determined and affect human welfare, its actions have, incidentally, moral scope, impact, and value, and should be considered from a moral point of view. As rational actors on the social scene corporations are moral agents, and they do not need an explicit statement to this effect in the law, any more than individual human beings need any legal statement that they are moral beings. Human beings and corporations are moral agents because they are rational beings whose actions affect human beings.

III

The third position, the Reductionist View, differs in certain respects from both the Organizational View and the Moralistic View. According to the Reductionist View a corporation is a fictitious entity. Strictly speaking it is a charter, a piece of paper, which assigns and limits certain prerogatives and responsibilities. It is not an entity. It acts only insofar as human beings connected with it act. The human beings are related to one another according to a certain structure. Certain people may be in management positions, others may function as machine operators and still others as clerical workers. All the workers are related to one another in specific ways so that they can be said to form the working force of the corporation. Stockholders are related to the corporation in other ways, and by virtue of holding corporate shares may have the right to vote at stockholder meetings, receive dividends, and so on. The corporation, however, is nothing over and above the people who are related to it and act for it.⁵

On the Reductionist View, the corporation does not act. Someone, some human person always acts for it. The so-called actions of the corporation are reducible to the actions of people acting in the name of the corporation. Consequently, it is incorrect to argue as the Moralistic View maintains, that since the corporation acts its actions can be morally evaluated. The corporation does not act. Therefore there are no actions of the corporation to be morally evaluated. But the Organizational View is incorrect in thinking that this means that the corporation escapes all moral evaluation. According to the Reductionist View both the Moralistic View and the Organizational View make the same mistake of reifying the corporation. The Organizational View claims that the people who work for a corporation serve only as agents for the corporation and in that capacity are not subject to moral evaluation.

The Reductionist View argues that a corporation is at any given time the people who make it up. A corporation can act only if individuals within the corporation act. There is no reason, however, to think that individuals, simply because they act for a corporation do not have moral responsibility for their actions. The Moralistic View is correct, the Reductionists assert, in maintaining that murder and lying are wrong whether done by an individual in his own name or by an individual in the name of a corporation. When we say that a corporation misrepresents its products this is translatable into the statement that certain members of the corporation misrepresent the products made by the corporation. When we say that a corporation engages in discrimination or that it exploits its workers, this is

translatable into the statements that certain people in the corporation exercise or dictate discrimination or exploit others who work for the corporation. The upshot for the Reductionist View is that we should not be deceived by our use of collective terms into thinking that the corporation is anything more than an organized collection of people. We may speak as if the corporation did things; but we should always remember that it is people, not charters or relationships, that act. Attempts to avoid moral responsibility by claiming that one is not guilty of discrimination, even when one discriminates, because it is corporation policy and one is only doing one's job, will not do. Those who establish such policies are guilty of doing so, and those who implement them are guilty of doing so. It may be true that in one's private life one is not prejudiced and that one abhors discrimination. Nonetheless, if one practices prejudice in one's corporate role, then in one's corporate role one is guilty of practicing prejudice.

IV

These are three approaches to the question of the moral status of corporations. Each has a certain strength and plausibility. But they differ in important ways, and there is an obvious inclination to ask which one is right. Are corporations moral entities or aren't they? The question when put this way, I think is misleading. For the question seems to imply that the question is a factual one to which there is some right answer, if only we know where and how to look. My suggestion is that the question is not a factual one, and that an answer to it cannot be found by looking in the right place or in the right way or by showing that the corporation is or is not a moral entity.

Each of the three views, I believe, is plausible and each advances certain correct claims in its defense. For moral purposes, however, I do not think it is necessary to solve the problem of the metaphysical status of corporations. It is sufficient to see what we wish to do with our moral language and how we wish to construe the nature of morality. I suggest further that though both of these involve our making a decision rather than discovering some fact, the decision is not to be made arbitrarily but for good reasons. This procedure of evaluating and choosing on the basis of the best reasons and arguments available is consistent with the whole of the moral enterprise, whether morality is viewed from a consequentialist point of view as choosing that action which produces the greatest good on the whole or from a deontological approach, from the point of view of seeing what reason demands.

Now both the Moralistic View and the Reductionist View agree that the actions of a corporation can be judged from a moral point of view; but they disagree as to whether the agent whose actions are being evaluated are those of the corporation or those of the agents of the corporation. Without resolving the ontological status of the corporation, however, both views can be seen to be based on the facts as we all know them and on our ordinary use of terms. Those who hold the Moralistic View do not deny that corporations can act only insofar as people in the corporation act. They do not deny that if a corporation discriminates some people in the corporation must discriminate, or that if a corporation produces automobiles some people in the corporation must do certain activities which result in the cars being produced. They agree with ordinary usage, however, in holding that the corporation

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is not to be identified with the people who happen to hold positions in it at a given time. If a member of a corporation signs a contract with a third party the contract does not depend on the original signer continuing to be an employee of the corporation. The corporation is bound both morally and legally by commitments made in its name by those empowered to do so. To say that the corporation is bound may simply mean that certain people within the corporation are bound to do certain things whether or not they made the original agreements. But for those who hold the Moralistic View it is a matter of indifference whether one person or another performs a certain action within the corporation. What is of concern is the action of the corporation or the policy of the corporation.

For practical purposes the Moralistic View evaluates the actions of a corporation from the outside. We can speak of the Pinto being a product of the Ford Motor Corporation. We can say that it is immoral for a company knowingly to produce and sell, without proper warning, cars they know to be especially and unusually dangerous. Now what is the purpose of making moral judgments about a corporation's discriminating or exploiting its workers or polluting? Well, why make moral judgments at all? There are, of course, many reasons. In making a moral judgment we express our moral feelings and we may feel strongly about an immoral action whether done by individuals on their own or done by individuals in the name of corporation, or done by a corporation or collective of any sort. Another reason for expressing moral judgments is to influence others to either feel as we do and take the same attitude towards the action and/or to influence them to impose appropriate moral sanctions on the moral transgressor.

The defender of the Moralistic View, I indicated, took his position in opposition to the Organizational View rather than to the Reductionist View. But when it comes to sanctions, what he wishes in morally condemning the immoral actions of a corporation is to generate public pressure to bring about a change in the corporation's actions. Consider in this regard the calling for a boycott of a company's product. We have an instance in the Nestle case. The Nestle Company was charged with causing a great deal of human misery by promoting in a number of questionable ways the use of its powdered milk product for infants in underdeveloped countries. The charge was that the company pushed the powder knowing it was being mixed with polluted water under unhygienic conditions resulting in disease and death in large numbers of infants. In order to bring pressure to bear on the company to change its practice, a Coalition was formed calling for people to boycott all Nestle products.

The point of the boycott was to produce a change in the company's policy. Those who called the boycott may not have known who within the company was responsible for the questionable practices, and they may not have cared. The boycott may have resulted in a cutback in production by the company with a consequent laying off of workers who were not involved in setting policy or in implementing it in any way. The boycott was called, however, not to lay off particular people but to change the company's policy. From the outside it is a matter of indifference who within the firm is responsible for an immoral practice and who within it carries it out. The important point is that the practice be identified as immoral and that moral pressure be brought to bear to stop the practice.

Hence, whether or not the attribution of an action to a corporation is strictly

speaking correct, or whether it should be more appropriately attributed to the person or people within the corporation who make the decision and/or take the action, the attributing of the action to the corporation is both intelligible and from a practical point of view may be effective.

The person who holds the Moralistic View need not deny that the actions of a corporation are reducible to the actions of individual persons, while still defending his practice of attributing actions to the corporation as if it were an entity and calling for sanctions against it as a whole. If the moral sanctions are effective, then the action will be stopped or the practice changed by individuals within the firm individually or collectively taking certain actions. Similarly the Reductionist need not deny that we do use collective terms, that we do speak about corporations as if they were entities, and so on. He need not change his or our way of speaking simply because he insists that if pressed he and we can reduce our collective terms to their individual components.

So far I have argued that the Moralistic View engages in judging a corporation's actions from the outside, without necessarily knowing or caring how the actions are decided from within. From inside, the actions may also be attributed to the corporation as a whole, though more likely they are at least frequently seen as being the result of certain people doing certain things. Those on the inside know full well that certain actions of the corporation will not take place unless they do certain things. The workers on an assembly line know that the cars will not get produced unless they or others like them perform certain tasks. Policy will not get changed unless those capable of changing policy take the actions necessary to produce the changes. The Reductionist View gives an accurate account of the fact that a corporation does not act unless individuals within it act.

As I have presented the two positions, the Moralistic and the Reductionist Views are not necessarily antithetical. Each is compatible with the other providing it does not deny, as it need not, what the other affirms. What about the Organizational View? It's clearly incompatible with the other two insofar as it claims that the use of moral language is inappropriate with respect both to the corporation as a whole and to the people who fill various positions in the corporation, qua their status as filling those positions. Some aspects of the position, are, however, compatible with the other two views.

Let us start with the point on which there is disagreement. Which position is to be preferred? Since corporate actions, whether they are the actions of corporations as they appear from the outside or whether they are broken down into the component actions of individuals within the corporation, are actions that are rationally performed and actions that affect human beings, they seem clearly to be amenable to moral evaluation. The argument which claims otherwise is based on two claims, both of which are false. The first is that because the corporation is a legal person it cannot be evaluated from a moral point of view. The fact that it is a legal person, however, does not preclude its acting in the world of goods and products and services, of employing people and affecting their lives. It is clear that the corporation does not act only in the legal arena and to that extent it is not only a legal person. To the extent that it acts outside the realm of legal discourse its actions are open to evaluation from other than legal perspectives, including from the moral point of view. The second argument claims that people who are

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employed by a corporation act as agents of the corporation, and since they simply fill positions and function as replaceable cogs in a wheel, their actions are not amenable to moral evaluation. This latter claim depends, of course, on the first one. For only if the actions of the corporation as a whole are immune from moral evaluation are the actions of its agents immune from such evaluation.

Despite the mistakenness of the claim to moral immunity, however, the Organizational View does correctly emphasize certain aspects of the moral status of the corporation. Two of these are especially worthy of note. The first is that corporations are not natural persons. They are legal persons formed for certain limited purposes. As long as the ends for which they are formed are not immoral, and as long as the means by which they pursue those ends are not immoral, they are not bound by the large range of moral rules which bind natural persons. An obligation to charity, for instance, might bind individuals but not be applicable to corporations because of their limited sphere of activity. The showing of compassion might be an obligation of individuals but not of a corporation qua corporation. In general, the injunction to produce the greatest amount of good might well be interpreted differently by an individual person with a full range of activities open to him and by a corporation with very great restrictions on its purpose and appropriate activities. In particular, it is not clear that an appropriate end of every corporation is the improvement of the general welfare, if this means that it must engage in changing society or distributing its wealth or improving the life of the inner city, and so on, in addition to or instead of achieving its own ends. There is a difference, however, between claiming that a corporation does not have the moral obligation to engage in good works and social welfare—which are the proper province of governments and perhaps of individuals—and claiming that it has no moral responsibility to society for what or how it produces, how it treats its workers, its customers and those affected by its actions.

The second point which is well taken by the Organizational View is the distinction it makes between the individual as individual and the individual insofar as he or she fills a position in a corporation. An employee of a corporation agrees to carry out certain tasks that go with a position in return for pay and other benefits. Corporate obedience and subservience of one's wishes and will to those of the corporation are part of what goes with the acceptance of most positions. But in accepting a position one does not cease being a moral person. One cannot morally have a corporate obligation to do what is immoral. And if a corporate policy is immoral, implementing that policy is immoral as well as initiating and continuing the policy. Yet the force of the Organizational View is that an individual in a position should properly distinguish what is his from what is the corporation's, what his ends are from what the corporation's ends are, and should not inappropriately substitute the one for the other.

Thus far I have concentrated on the moral evaluation of actions and I have argued that the actions of corporations, however construed, can be evaluated from a moral point of view. But I have not touched on the other aspect of morality that is the aspect that concerns responsibility and character. In reply to the question of whether or not corporations were moral beings I suggested that we look at what we wished to accomplish in making moral judgments and using moral language, and I argued that the actions of corporations should be morally evaluated. But do

corporations have moral responsibility and moral character? Is it appropriate to use the moral language of responsibility, character, conscience, shame and so on, with respect to corporations? My approach to answering this question will be similar to my approach to answering the previous one. Can we clarify what these terms mean when applied to a corporation and can our use of moral language in this way be defended by rational argument?

The position of the Organizational View is that corporations, since they are not moral beings, have no moral responsibility and do not have to take moral factors into account in making business decisions. We have already examined the reason for claiming that corporations are not moral beings and found it to be inconclusive. Those who hold the Organizational view admit that the corporation is a rational decision maker. Their reason for claiming that the corporation has no moral responsibility is that it cannot appropriately take moral factors into account.⁶

In speaking of the moral responsibility of human beings it is commonly agreed that human beings have moral responsibility for the actions they perform if they more or less freely chose to do the actions and to the extent that their responsibility is not mitigated or eliminated by excusing conditions. Moral responsibility may be imputed to an individual by others and it may also be assumed by an individual himself.

Now since corporations act as rational agents, and since their actions affect others, there seems to be no valid reason why they should not consider the consequences of their actions from a moral as well as from a business point of view. Proponents of the Organizational View may not be willing to accept moral responsibility for the actions of corporations, if they are in a position to direct such action, and they may not choose to ascribe moral responsibility to other corporations. But unwillingness on the part of an agent to accept responsibility and unwillingness on the part of some people to ascribe responsibility does not mean that the corporation has no moral responsibility or that those who do ascribe moral responsibility to it and hold it morally accountable are mistaken in their views. And we have already seen the arguments in favor of ascribing such responsibility.

There is, however, a significant difference in the case of individuals and in the case of corporations with respect to moral responsibility. In the individual case the ascribing of responsibility and the assumption of responsibility are closely parallel. Responsibility is ascribed to an individual and can be assumed by the individual. In the case of a corporation moral responsibility may be ascribed to it from the outside, taking the corporation as a whole. But it is not clear that it can be assumed from within in the same way. For the corporation acts only through those who act for it. It is consequently they who must assume moral responsibility for the corporation. And it may not always be clear who within the corporation should assume it—whether it should be shared or held by some individual, whether all associated with the corporation share in some of the guilt or shame that immoral actions on the part of the corporation would produce if similar actions were done by individuals, and so on.

When harm is unjustly done to an individual by a corporation, the corporation has the moral obligation to make reparation to the individual. It matters little whether the particular person who, for example, systematically paid women employees less than men for the same work, is still with the corporation. If the

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women deserve compensation for past injustice. the corporation has the moral obligation to make good. In this case someone who had nothing to do with the past injustices but who is now employed by the corporation may well have the moral obligation to take action to make up for past wage discrimination. If a corporation is morally responsible for wrongs done, the corporation morally is obliged to make good those wrongs. But exactly who must do what within the corporation is a question which can best be decided by an analysis of individual cases.

In some instances responsibility will rest with the members of the corporate board of directors, either collectively or distributively. In other cases certain other individuals within the corporation might bear moral responsibility, again either collectively or individually. If shareholders can exercise no effective control, they may frequently have no moral responsibility for a corporation's actions. But they may have an obligation to divest themselves of their shares if their corporation adopts immoral practices they are not able to change. The distribution of moral responsibility within a corporation for a corporation's actions is frequently complex. An adequate analysis of particular cases will involve an assessment of collective as well as of individual responsibility.

In the case of individuals, if moral responsibility is properly ascribed it can be properly assumed. We do not have a situation in which an individual did no moral wrong and yet is morally responsible for having done moral wrong. In the case of corporations, however, this might be the case. Each individual acting for the corporation might make an acceptable judgment and be personally morally blameless; yet the aggregate of the actions may result in the corporation's doing something which is morally blameworthy and for which it, not they, is morally responsible.

This possibility does not deal a fatal blow to the Reductionist position, though it does lend support to the position which would wish to combine it with the Moralistic View. What is at issue here is an analysis of action and agency. If some action A on the part of a corporation can be done only if a great many actions b, c, d . . . etc. are done by individuals within the corporation there is the possibility that A may in fact be morally wrong, though each of the subordinate actions making it up were individually morally justifiable.⁷

V

I asked whether a corporation can be said to have a moral character. Now I have already implicitly claimed that having a moral character such as we normally attribute to individuals is not a necessary condition of ascribing moral responsibility to a corporation. We cannot therefore argue from moral responsibility to moral character.

There are some people who feel that it makes sense to speak of a corporation's having a conscience and having a moral character. They argue that, for instance, a firm which takes its moral responsibilities seriously, which tries to be fair in dealing with its employees and customers, which takes into consideration the effects of its actions on the environment and local communities, and so on is correctly called a moral firm. If, moreover, it has built into its structures procedures for taking moral factors into account, then its morality is not dependent only on the people who

happen to fill particular positions at a given time. Tradition also builds up so that when one joins such a corporation he or she takes pride in the policies of the corporation, in its history, and so on. One tends to identify with these and hence these factors contribute to the continuation of moral attitudes on the part of the corporation.

Others, on the other hand, tend to find it difficult to imagine what it means to say of a corporation that it has a conscience, other than that the people within the corporation act in appropriate circumstances as we would expect individuals who have consciences to act.

Once again the distinction between seeing the corporation as an entity from the outside, and seeing it from the inside is appropriate. A corporation can have a longer history than an individual associated with it. Though a history and a tradition can be denied and actions taken which reverse it, they do have a certain force and momentum and can serve to affect the actions of those in decision-making positions at any given time.

To have said this much does not solve the question of the metaphysical status of the corporation and of whether or not it is ontologically a moral being. But I believe that the account I have given and the conclusions I have drawn take into account all the pertinent facts and solve all the pertinent moral questions concerning the moral status of corporations. Their actions are appropriately evaluated from a moral point of view, they can be held morally responsible, they are capable of assuming the moral responsibility properly ascribed to them, and they can be intelligibly characterized as moral and immoral in a way analogous to such characterizations made of human beings.

As a result we can intelligibly say that corporations are morally responsible for their actions. They are morally responsible to themselves and to all affected by their actions -- the general public, their customers, their stockholders, their employees, and the board. Within the corporate structure each group and the individuals thereof are likewise responsible to the other groups and the members thereof.

I have spoken thus far in terms of moral obligations and moral responsibilities. I did not speak of social responsibilities. Does a corporation have social responsibilities,⁸ might some of these be moral responsibilities, and how are they determined? Who is to say what they are?

I have argued elsewhere that corporations are creatures of society and that what society may expect and demand of them at one time and place may be different from what society may expect and demand of them at another time and place. At one time American society simply expected business to produce the best goods at the cheapest price. It was a mandate which business fulfilled admirably. But there is clear evidence that the present mandate is no longer so simple or so simply fulfilled. What that mandate is and how it is to be fulfilled is determined by looking at legislation, at the demands made by consumers, workers and the general public and at each industry in the light of what is possible and practicable. The specifics are not to be handed out by professors of philosophy but worked out by social and public discussion, argument and debate -- a debate obviously, in which the interested industries and firms should take an active part.⁹

Finally, what is a corporation that wishes to be moral to do in response to claims

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-- sometimes conflicting claims -- made to it in the name of morality? The answer, I believe is to be found not only in following substantive moral injunctions but also in adopting certain procedures, and frequently in making internal structural changes. The details of such changes will vary from firm to firm. But I suggest that if a firm wishes to be moral it must assign responsibility both legal and moral at every level, and see that it is assumed; it must determine how much disclosure is appropriate and to whom; it must have channels and procedures for accountability, up, down, and laterally; it must have input lines whereby employees, consumers, stockholders, and the public can make known their concerns, demands and perceptions of the corporation's activities and responsibilities; it must develop a mechanism for considering them; it must enforce responsibility both within the firm and across an industry; it must preclude the necessity of whistleblowing by providing mechanisms, procedures and channels whereby those with concerns that lead to whistleblowing can get a fair hearing and possible action without fear of negative consequences; and it must hold some highly placed official responsible if insufficient attention is paid to a legitimate claim of product safety and the like.¹⁰

Business ethics, as I noted in the beginning of this paper, is a new and developing branch of ethical theory. The solution to the specific problem of this paper, namely the moral status of corporations and the consequences thereof, is not solved simply by deducing or applying what is known in general ethics to business. The problems of business ethics go beyond casuistry and are of both theoretical and practical interest and import.

NOTES

- ¹ Chief Justice Marshall, *Dartmouth v. Woodward*, 4 Wheat. 518, 636 (1819).
- ² See, for instance, Herbert A. Simon, Administrative Behavior, 2nd ed., New York: Free Press, 1965; Peter M. Blau and Richard Scott, Formal Organizations, San Francisco: Chandler Publishing Co., 1962; and David Silverman, The Theory of Organizations, New York: Basic Books, 1971.
- ³ John Ladd, "Morality and the Ideal of Rationality in Formal Organizations," The Monist, LIV (1970), p. 500.
- ⁴ For a similar characterization, see Robert L. Holmes, "The Concept of Corporate Responsibility," in Ethical Theory and Business, edited by Tom L. Beauchamp and Homan E. Bowie, Englewood Cliffs, N.J.: Prentice Hall, 1979, pp. 152-153.
- ⁵ This view is simply an application of the position known as methodological individualism.
- ⁶ See, for instance, Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," The New York Times Magazine, September 13, 1970; and his Capitalism and Freedom, Chicago: University of Chicago Press, 1962.
- ⁷ Though this is a controversial claim it has for me been persuasively argued by William E. Tolhurst in a paper, "The Moral Responsibility of Corporations: A Reply to De George," delivered at a meeting of the American Society for Value Inquiry, December, 1978.
- ⁸ What are called social responsibilities are sometimes moral responsibilities, sometimes not. In the past water and air were a common good and it was socially accepted to release limited amounts of industrial waste into them. As the wastes increased, they caused pollution. Society could either undertake to handle the pollution through taxes, or force the polluting industries to bear the costs of initial prevention. Society on the whole has demanded that industries bear the expense (which is usually passed on to the consumer) rather than the general taxpayer. This is a social and not a moral decision. Many so-called social responsibilities are simply the result of social decisions or inclinations as to how costs are to be allocated.
- ⁹ Richard T. De George, "Guidelines for Business When Societal Demands Conflict: Responding to the Mandate for Social Responsibility," Guidelines for Business When Societal Demands Conflict: Proceedings of the Fourth Panel Discussion of the Council of Better Business Bureaus, Washington, D.C., Council of Better Business Bureaus, 1978, pp. 60-71.
- ¹⁰ Each of these points is explained and defended in the article cited in foot 9, pp. 71-78.