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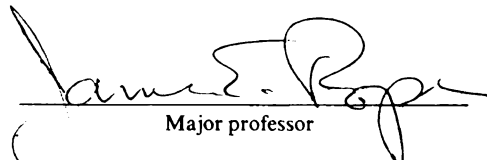
THE DUO-DIMENSIONALITY OF
CORPORATE RESPONSIBILITY

presented by

Carmela Parisani Axeman

has been accepted towards fulfillment
of the requirements for

Ph.D. degree in Interdisciplinary
Studies


Major professor

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THE DUO-DIMENSIONALITY OF CORPORATE RESPONSIBILITY

By

Carmela Parisani Axeman

A DISSERTATION

Submitted to
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ABSTRACT

THE DUO-DIMENSIONALITY OF CORPORATE RESPONSIBILITY

By

Carmela Parisani Axeman

This dissertation addresses a contemporary business ethics query regarding moral accountability of the large business corporation: Can the corporation be held morally responsible for its untoward actions? Also, the question is raised as to whether the large business corporation is a moral person. For if the corporation is a moral person, then it can be held morally responsible for its actions. On the other hand, if the corporation is not a moral person, then opposing arguments regarding legal and human moral agency will be explored to develop a dual scheme of corporate responsibility.

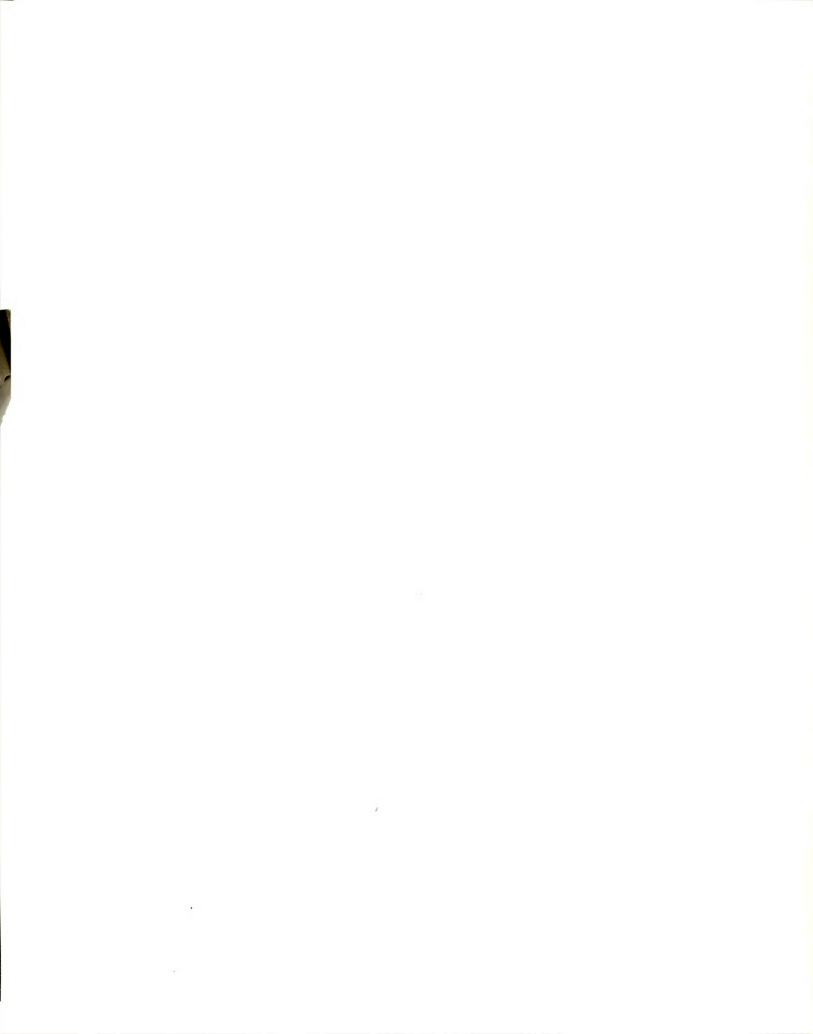
It is an observable fact that large corporations are held morally responsible for their activities. But do moral judgments about corporate behavior indicate that corporations are moral persons, or do people make moral judgments about corporate activities in order to elicit corporate acceptance of causal or legal/compensatory responsibility? Or could moral responsibility be meant



for the corporation's human members who make the decisions? Furthermore, could responsibility be meant for both the corporation as a legal entity and its decision-making members as moral persons? These questions direct the search for a viable concept of corporate responsibility.

I present an in-depth examination of Peter A. French's moral person view, with an extensive evaluation of his argument in the light of challengers such as Thomas Donaldson, Manuel G. Velasquez, and John Ladd. Counterarguments to the moral person view are assessed, including notions of corporate responsibility as explained by the moral projectionists Christopher D. Stone, Kenneth E. Goodpaster, and John B. Matthews, Jr. Ultimately, French's moral person view and the projectionists are refuted.

Findings of the investigation indicate that the corporation cannot qualify as a moral person, but that the corporation is merely a legal entity separate from its human members, who are moral persons. The corporate setting sustains two types of responsibility--legal and moral. Thus, corporate responsibility has two dimensions: legal responsibility of the corporate entity and moral/legal responsibility of corporate decision makers.



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To my Mom, who has been a model of
human courage and intelligence, as
well as a constant pillar of support.

ACKNOWLEDGMENT

DEO GRATIAS
AD MAJOREM DEI GLORIAM

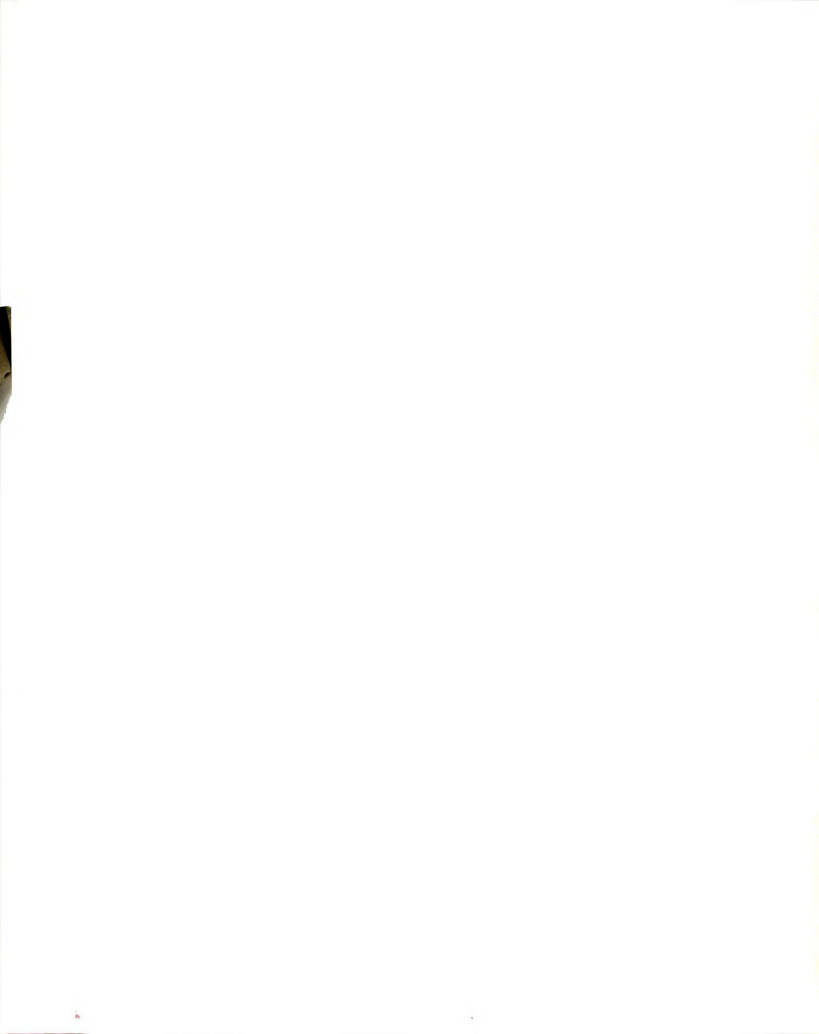


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CHAPTER I

INTRODUCTION

In the emerging discipline of business ethics, an ongoing dialogue has transpired on the subject of corporate responsibility. Various ideas on the concept of collective responsibility have circulated in the literature on corporate responsibility. Yet, there remains a pressing question regarding moral accountability of the large business corporation: Can the corporation be held morally responsible for its actions beyond the demands of law? Concern about the moral character of a business corporation stems not from the dictates of law, but from society's moral expectations. This dissertation addresses the problem of searching out the moral character of the large, modern corporation.

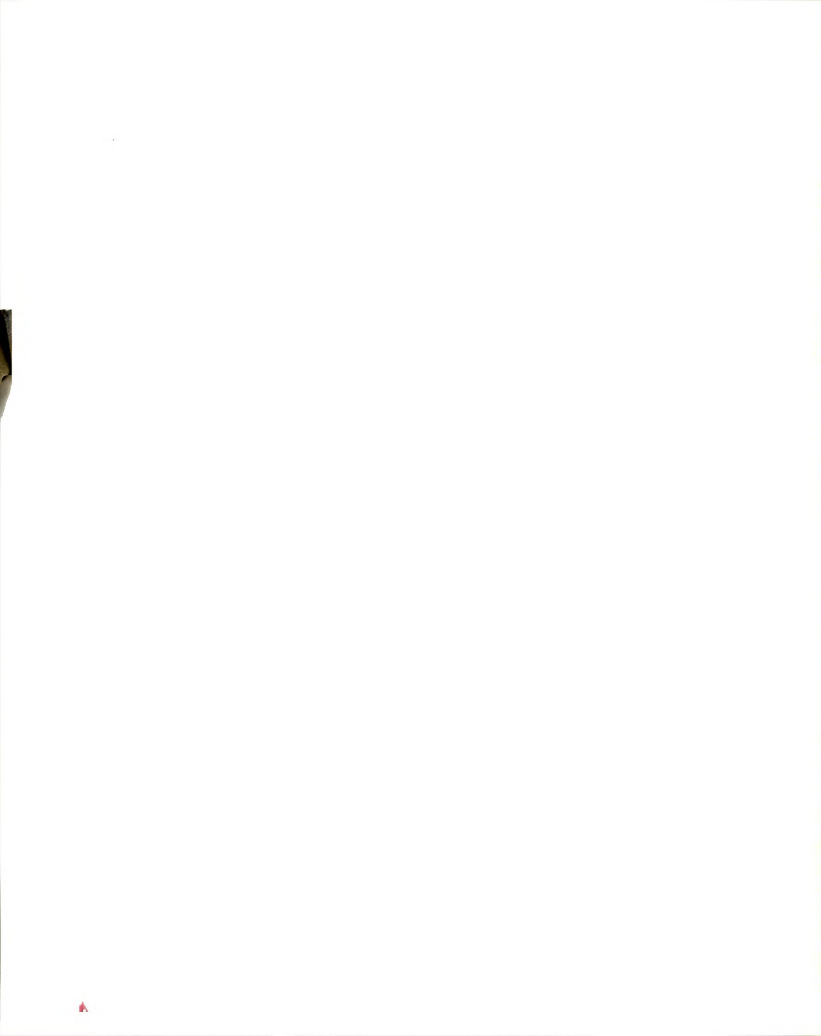
To pursue an enlightened understanding of corporate responsibility, an important subsidiary question must first be answered for purposes of assigning moral responsibility: Is the corporation a moral person? For if it is found that the corporation is a moral person, then the corporation can be held morally responsible for its actions. However, if the corporation is not found to



be a moral person, then the notions of legal and human moral agency will need to be explored for development of a dual scheme of corporate responsibility for ascribing responsibility in corporate settings.

It is an observable fact that moral blame is ascribed to large corporations for untoward activities. But do moral judgments about corporate behavior imply that corporations are moral persons, or do humans make moral judgments about corporate wrongdoing in order to elicit corporate acceptance of causal or legal/compensatory responsibility? Or could moral ascriptions be meant for the corporation's human members who make decisions that bring about harmful events? And further yet, could responsibility ascriptions be meant for both the corporation as a legal entity and its decision-making members as moral persons? These questions direct the search for a plausible conceptualization of responsibility in corporate settings.

The underlying problem of corporate personhood is addressed forthrightly with an in-depth examination of the corporate moral person view as expounded by the moral theorist, Peter A. French. As the major exponent of the notion that a corporation is a moral person, French expounds his position on corporate personhood in the classic work entitled, Collective and Corporate



Responsibility. An extensive evaluation of French's moral person view is presented in the light of significant challengers such as Thomas Donaldson, Manuel G. Velasquez, and John Ladd. Counterarguments to the moral person view are assessed, including notions of corporate responsibility as expounded by the moral projectionists Christopher D. Stone, Kenneth E. Goodpaster, and John B. Matthews, Jr. Ultimately, French's moral person view and the moral projectionists are refuted.

The search for corporate personhood and responsibility begins in Chapter II with a survey of basic concepts for understanding individual and collective responsibility. Key terms such as moral responsibility, causal responsibility, distributive and nondistributive responsibility, identity, and agency are clarified to facilitate the understanding of moral responsibility ascriptions. An explanation of concepts such as collectivity, aggregates, and conglomerates is provided as groundwork for understanding French's determination of the identity of a corporation as a conglomerate collectivity with nondistributive responsibility.

Chapter III contains French's agency argument for intentional moral personhood of the corporation. Initially, three distinct notions of the term person are presented. French refers to the concepts of personhood as (a) metaphysical, (b) moral, and (c) legal. While French

discounts the legal notion of person, he combines the metaphysical and moral notions of person for an interdependent comprehension of intentional moral personhood, so that an intentional person is also a moral person and vice versa. For French, then, intentionality or intentional agency is sufficient to be a moral person. Therefore, if French can show that the corporation is an intentional agent, he can declare the corporation a moral person and consequently morally responsible for its wrongful actions. However, French's notion of intentionality differs from the traditional understanding of intentional-actional agency, which requires that intentional action be performed by a human intentional agent.

According to French, if one can describe an action as a corporate act and show corporate purposive reasons for the act, then one can conclude that a corporation is an intentional moral agent. For French, then, the subject of a moral responsibility ascription need not be a human moral agent; it can also be a corporate collective entity. The only requisite for moral predication is that the subject be an intentional agent; that is, the subject intended to do the act or did the act intentionally. As evidence of corporate intentional agency, French points to the corporation's internal decision structure (CID Structure), which he claims demonstrates the corporation's

intentional reasons for corporate decision action. The corporate decision-framing structure consists of recognition rules of procedure and policy that reflect the corporation's intentional purposes and provide valid criteria for corporate intentional action. This corporate internal decision structure satisfies the intentionality requisite for moral predication that compels French to propose admission of the corporation to the moral community as a "full-fledged" moral person. Summarily, French's line of reasoning for corporation as moral person states that the corporation's identity as conglomerate collectivity, along with the corporation's intentional agency of CID structure, adds up to the corporation as an accountable moral person.

In Chapter IV, French's moral person view is challenged in the light of three notable philosophers: Thomas Donaldson, Manuel G. Velasquez, and John Ladd. These challengers oppose the notion that the corporate entity is a moral person, which can be held morally responsible for its wrongful actions.

The main point of controversy pertains to the notion of intentionality, which in the individualist moral tradition can be attributed only to individual human persons. Our philosopher-challengers object to French's idea that corporate intentional agency can qualify as

being on the same moral level as human intentional agency. Donaldson argues that there is a significant distinction between corporate agency and human moral agency, and shows that a corporation cannot qualify as an intentional moral agent because it does not initiate intentions or carry out intentional actions. Two principles of moral responsibility, mens rea and actus reus, are presented by Velasquez as requisites for intentional moral agency. He explains that the corporate entity is incapable of originating intentions and carrying out intentions with bodily movements. The corporation cannot perform a morally intentional act, and therefore cannot be held morally responsible for untoward corporate acts. Last, John Ladd's formal structure view of the corporation diametrically opposes French's corporate moral person view in that the corporation is perceived as an amoral, goal-oriented organization. A formal organization seeks to achieve its particular purposive ends by selection of appropriate strategic actions to accomplish its goals. Now, the large business corporation has essentially economic and financial goals, which it strives to attain by responsible decision actions that are directed toward the accomplishment of corporate organizational objectives. Challengers of French's moral person view offer compelling arguments on the comprehension of intentional moral agency and action that disprove French's notion of corporate



moral personhood and consequential corporate moral responsibility. The corporation as a conglomerate collective entity does not have the wherewithal of a mind-body unity of agency to act intentionally. It cannot qualify as an intentional moral agent with ability to initiate purposive, rational action. The corporate collective entity does not meet the requisites for admission to the moral community of intentional, actional persons.

Chapter V treats of the moral projectionists, who, as quasi-challengers of French's moral person view, argue that a corporation is expected to engage in moral deliberation as part of the corporate decision-making process, and to take moral responsibility for consequences of corporate decision actions. The moral projectionists expect the corporation to act morally responsible without the prerequisite of corporate moral personhood. They neither completely oppose French's argument for moral personhood and responsibility of the corporate entity, nor concur with French that the corporation is a moral person. The projectionists seem to sidestep the problems associated with proving that the corporation has the metaphysical status of intentionality. Instead, the moral projectionists examine what is understood by individual moral action and responsibility, and then project this

understanding onto the level of corporate action to provide moral guidelines for corporate decision making. Moral projection, then, establishes a standard of moral expectation for responsible corporate decision making.

The major exponents of moral projection are Kenneth E. Goodpaster, John B. Matthews, Jr., and Christopher D. Stone. Their ideas of moral projection are examined and evaluated to discover whether and how the corporate entity can be said to act responsibly. Essentially, the exponents of moral projection attempt to superimpose morality on corporate decision making so as to effect corporate moral responsibility for decision actions. They promote the use of moral criteria in corporate decision making, similar to that used by human persons in individual moral decision making. Goodpaster and Matthews suggest moral projection criteria of rationality and respect, which represent key characteristics of individual moral responsibility. First, rationality in decision making involves deliberation on possible alternative actions and outcomes to satisfy goals and purposes. Second, respect in decision making entails conscious awareness of and concern for the effects of one's actions on others. Stone's proposal of moral criteria for mature corporate behavior includes both rule following or obedience to law and exercise of cognitive

processes of perception, deliberation, and justification in decision making.

Thus, the projectionists attempt to accommodate corporate action to moral responsibility by projection of moral criteria to corporate decision making, so as to make corporate decision action morally responsible. In spite of their arduous scheme to ascribe moral responsibility to the corporate entity, the projectionists awkwardly, if not invalidly, apply criteria of individual human morality to the corporation's decision-making process, which in itself is not a human intentional person. They attempt to compare the corporate entity and its decision process to that of human moral decision makers, even though the analogues do not share the property of intentional agency. The projectionists unwittingly circumvent the authentic moral agents, the corporate decision members, who could use the moral exhortation since they are expected to act responsibly in their intentional decision making done on behalf of the corporate entity.¹

In Chapter VI, both French and the projectionists are refuted for their adherence to corporate moral personhood and agency, respectively, in that they argue for assignment of moral ascriptions to the corporate entity itself, so that it can be held morally responsible for wrongful acts beyond the demands of law. French's proposed evidence of corporate intentionality as that of

the corporation's internal decision structure (CID Structure) is found erroneous and fallacious in demonstrating intentional moral action. The traditional notion of intentional action with consequential moral responsibility is based on the agency of a mind-body unity, whereby an agent plans or intends an act in his mind and then carries out the intended action with his bodily movements. French is challenged by Donaldson and Velasquez with the charge that the corporation lacks the intentional agency of a mind-body unity which is required for intentional action and moral responsibility.

Moreover, French illegitimately uses the Davidsonian notion of intentional agency to support his argument for corporate intentionality, since Davidson in no way indicates that an intentional agent is anything other than a human person. Although French attempts to describe or speak of corporate actions as brought about for corporate reasons as explained by the CID Structure, this does not necessarily make the corporate entity an intentional agent nor the corporate actions derivatives of corporate intentional agency. The sort of description French offers is merely metaphorical. What actually transpires in corporate decision making involves the intentional decision actions of human corporate members, who bring about corporate acts on behalf of the corporate entity.

The corporate entity acts, metaphorically speaking, only through its intentional human decision members. The corporation does not qualify as an intentional agent or moral person because it cannot "intend" the same way as other members of the moral community, namely, human-intentional persons. Therefore, it cannot be given full-fledged membership in the moral community as French proposes.

The projectionists, like French, argue for corporate moral responsibility; but they sidestep trying to prove corporate intentionality and propose an analogy between individual human behavior and corporate responsible action, whereby criteria of individual moral behavior are projected onto the corporate decision-making process to provide standards of moral expectation for responsible corporate action. They wrongly compare the corporate entity with human decision makers in that the analogues do not share the significant property that would make them similar, namely, the intentional agency that derives from human mind-body unity of action. Projectionism seems an awkward and ambiguous way to accommodate corporate financial and economic goal-directedness to human moral concerns. There are essentially two plausible ways that human moral concerns can enter the corporate decision process: by way of the law and the moral decision making of corporate decision members. Since the law is limited

in legislating morality, we are left with the human decision makers in corporate organizations.² Our moral projectionists, Goodpaster, Matthews, and Stone, needlessly circumvent the morally responsible agents in corporate settings--the corporation's human decision members.

Concluding statements on this work are made in Chapter VII, based on the findings of research on corporate moral person and corporate moral responsibility. The most significant conclusion states that the corporation is not an intentional, moral person with moral responsibility for its acts, and therefore cannot be admitted to the moral community of human persons, as Peter A. French proposes. It is also concluded that the corporation is just a legal entity with only legal responsibilities. Thus, the corporation as a legal entity can only be held legally responsible for its actions. It is further concluded that the corporation's human members are the authentic moral persons who can be held morally responsible for their actions. Only the human members can bring moral character to corporate organizational enterprise. The corporation's human decision members comprise the moral dimension of corporate organization. Last, it is concluded that the corporate organizational setting sustains two identifiable modes of responsibility--legal

responsibility of the corporate entity itself, and moral responsibility of the corporation's human decision members.

Chapter VIII ends this work with a recommendation that perhaps can move the business ethics debate on corporate responsibility a minuscule step forward to better understand responsibility in large corporate organizations. From the conclusions of this study of corporate moral personhood and responsibility, we discover that corporate responsibility has two dimensions, which derive from (a) the corporation itself as a legal entity, and (b) the human moral persons who are members of the corporation. The corporation as a legal entity can be held legally responsible for corporate acts, while the corporation's decision members, who are intentional moral persons, can be held morally responsible for their decision actions at the job made for the corporation at large. Perhaps this dual perspective of corporate responsibility could stimulate further discussion on corporate responsibility. Thus, I recommend that the two-dimensionality of corporate responsibility be considered in the ongoing discussion of the topic of corporate responsibility.

Notes--Chapter I

¹The term corporate decision member(s) is used throughout this work to refer to those corporate members who make organizational decisions for the corporate entity or corporation at large.

²Laws, for the most part, are written to forbid wrongdoing, rather than to encourage good or virtuous behavior.

CHAPTER II

SEARCH FOR CORPORATE PERSONHOOD AND RESPONSIBILITY

The probing question that directs this discussion of corporate personhood and responsibility asks: In what way(s), if at all, and to what extent, if any, can a large business corporation be held responsible for its untoward activities? To begin the inquiry for a plausible conceptualization of corporate responsibility, a significant subsidiary question needs to be addressed, namely: Is the corporation a moral person? For if it can be found that the large business corporation is a moral person, then moral responsibility ascriptions can be assigned to the corporation and it can be held morally responsible for untoward acts. On the other hand, if the corporation is not found to be a moral person, then some other avenues of thought will be explored to discover what the corporation might be, if anything, in terms of assigning responsibility for its action and holding it accountable.

In exploring the notion of corporate moral personhood, certain key terms such as moral

responsibility, identity and agency, moral person, as well as individual responsibility versus collective responsibility, will be examined and clarified along the way for use in the discovery of the kind of personhood and responsibility, if any, that is pertinent to the large corporation.

2.1 Moral Responsibility Ascriptions

In the ordinary assignment of a moral responsibility ascription, the subject of such a moral judgment is usually an individual human person. Moral responsibility for untoward behavior is ordinarily ascribed to a human person. Although, if moral responsibility be assigned to a group, responsibility is then distributive or reductive to individual responsibility of each member of the group. This understanding of moral responsibility ascription is derived from the individualist or reductionist tradition of moral responsibility, which reduces all group or organizational structures to individual, natural person members in order to evaluate behavior for blame, punishment, or reward.

The individualist school of ethical thought conceives of morality as involving a moral community, which is an aggregate of persons about whom moral judgments are made, on whom moral requirements of actions are imposed, and to whom moral admonitions are directed.¹ In our Western

ethical thought, the standard member of moral community is a natural person--a human rational being with powers of volition and intentionality that comprise moral character. Consequently, in the individualist moral tradition, only individual intentional human beings can be ascribed with moral responsibility for their untoward actions.

The root of individualist tradition lies in Western Aristotelian or classical philosophical thought and the Judeo-Christian religious view of individual personal salvation. Individual human moral perfection became a religious goal that would improve and benefit the moral community. Hence, the Western moral tradition contains directives for individual human behavior as found in such statements as the Decalogue, the Beatitudes, the Golden Rule, and the Kantian Categorical Imperative.

In the tradition of individual moral responsibility, it is unthinkable that either a group, club, corporation, or nation could be a nonreducible subject of moral judgments. In fact, the idea of collective corporate responsibility is anathema to the individualist tradition because only human rational agents have moral worth, not business corporations, nations, or similar collectives.² Any responsibility ascription assigned to a group must be reduced or distributed among members of the group or collective. Reductionists or individualist theorists today deny that groups qualify as proper moral entities or

subjects of moral disapprobation.³ They claim that the burden of proof for thinking otherwise falls on the camp of revisionists, who think and argue that corporations should be included as members of the moral community. One such revisionist is the foremost contemporary moral theorist, Peter A. French, who conceives the business corporation as a moral person by adaptation of individualist principles to the corporation, thereby admitting the corporation to "full-fledged membership in the moral community."⁴

In his classic work, entitled Collective and Corporate Responsibility, French subjects the corporation to standard tests of moral responsibility involving metaphysical notions of identity and agency in order to determine the moral personhood of the corporation. He begins his study of corporate collective responsibility with the observation that there are many people who make moral judgments about corporate behavior. Corporations are praised because they provide material goods and services, jobs, and wealth creation; they are blamed for pollution, high prices, plant closings, and foreign wars. French reiterates the moralist's concern with the accountability aspect of the large corporation, which has become extremely powerful and influential in the society. Large business corporations control the nation's economic

and financial resources with access to greater revenues than the national government.⁵ Business activities of the largest two hundred American corporations or megacorporations contribute to about two-thirds of the gross national product, with earnings reaching to about 90 percent of all corporate profits.⁶

As French indicates, the inquiry into corporate responsibility is prompted not only by the extensive socioeconomic and political power of large corporations, but more importantly by their scandalous and untoward activities that adversely affect human life and the environment. French's examination of corporate collective responsibility is motivated by the many attributions of moral responsibility for corporate action that prevail in ordinary discourse on large corporate enterprise. He intuitively believes that the corporation, as a certain identifiable kind of collective with intentional agency, can be held morally responsible for untoward acts. However, French proceeds to examine the business corporation in the light of metaphysical notions of identity and agency in order to determine moral personhood and consequential moral responsibility. The search for the identity of corporate personhood gets under way with the following discussion on types of collectivities.

2.2 Identity and Collectivity

Initially, French presents us with categories or types of collectivities that demonstrate the distinctions among collectivities, so as to discover the kind of collectivity that can be identified as pertinent to the large business corporation. To distinguish among collectivities is French's way of pointing to the kind of collectivity by which the large corporation can be properly identified for purposes of responsibility ascription. He describes essentially three types of collectivities: (a) aggregate collectivities, (b) conglomerate collectivities, and (c) statistical collectivities. First, an aggregate collectivity is a collection of people, such that a change in the aggregate's membership effects a change in the identity of the collection.⁷ This kind of collectivity involves spatial/temporal contiguity of collective membership; that is, members of the collective usually are together in that place and at that time because of their respective individual interests. For example, students waiting at a campus bus stop or shoppers waiting at a check-out counter constitute, in each case, an aggregate collectivity. There are no planned group actions, nor ties of solidarity in these aggregate collectivities. The identity of the group corresponds with only the aggregation of the individual members, so that if any one member withdraws from the group, the identity of that

particular group is lost or destroyed.⁸ Thus, the identity of an aggregate collectivity lies in the aggregation of the component members. Any change in the membership of the aggregate constitutes a change in the identity of the aggregate collectivity. Constant membership is an essential property of an aggregate collectivity.

French briefly points out another type of aggregate collectivity. This type of aggregate is defined by the very features or characteristics, by virtue of which blaming or other responsibility predicates are ascribed to it. For example, in the utterance, "White American racists are to blame for the plight of various minorities in the United States," "White American racists" identifies the aggregate collectivity, by virtue of the specific characteristics of component members of the collectivity.⁹ Each member of the collectivity must have the same characteristic in order for the collective to be identified as an aggregate collectivity.

The second collectivity category that French describes is referred to as conglomerates or conglomerate collectivities. He tells us that "a conglomerate collectivity is an organization of individuals whose identity is not contingent upon the identities of the organization's members."¹⁰ A change in membership does not affect the identity of the organization. Members can



come and go, and position holders in organization hierarchy may change, but identity of organization remains intact. A conglomerate is not identified by the aggregate of persons associated with it. It has an identity all its own, separate from its membership or organizational position holders. A conglomerate's identity is not lost or diminished by change in number or kind of membership. Some examples of conglomerates are General Motors, Congress, Democratic Party, Yale University, and Harbor Springs Country Club. French cites the following characteristics of a conglomerate that are not found in an aggregate:

1. A conglomerate has internal mechanisms and decision procedures by which concerted actions are determined.
2. Enforced standards of conduct for individual members of conglomerate are different and usually more strict than those thought to apply in the larger community of individuals.
3. Members of a conglomerate fill different roles or positions and some may have powers over other members; a change in position-holders does not entail a change in the identity of the conglomerate.
4. Individuals usually become members of conglomerate by either holding stock, employment, election and/or appointment.
5. A conglomerate is a legal person under the law; it can own property, sue and be sued, be indicted and convicted.¹¹

The third type of collectivity that French discusses is the statistical collectivity. This kind of collectivity is usually designated by a collective noun or noun phrase in statements of fact, predication, or



ascription.¹² An example of a statistical collectivity is offered in the following statement: "American people have the highest standard of living in the world." According to French, the statement does not mean that each and every American citizen has a high standard of living. Neither does it mean that the entire conglomerate entity of American people has the highest standard of living in the world. The term "American people" is a disguised aggregate, comparable to saying "most Americans."¹³ Thus, the name of a statistical collectivity--American people--is shorthand for saying "most members of this group." Use of a collective noun or noun phrase as a shorthand form amounts to a statistical collectivity.

From the examination of the different kinds of collectivities, the clue to the identity of the large corporation is revealed in the description of a conglomerate collectivity, which has an identity all its own separate from its membership, and it is not changed or destroyed by any change in membership or position hierarchy. The conglomerate collectivity is an identifiable whole or entity that can be the subject of a predication, irrespective of membership or those associated with it. Thus, French arrives at the identity of the large business corporation as being that of a conglomerate collectivity. The inference that a

corporation can be identified as a conglomerate collectivity seems plausible at this point.

The search for corporate responsibility continues on in the next section with an examination of kinds of responsibility ascriptions and how they pertain to the different collectivities, in order to discover what kind of responsibility ascription, if at all, could specifically pertain to a conglomerate collectivity or large corporation.

2.3 Collectivity and Responsibility

In the tradition of individual moral responsibility, all ascriptions or statements about collective responsibility are to be reduced to ascriptions of individual responsibility. This is referred to as the reductionist position on moral responsibility.¹⁴ According to this school of moral thought, a responsibility ascription assigned to either a group, club, organization, or nation must, in effect, be reduced to the individuals who were responsible for bringing about the wrongdoing. Thus, in the individualist moral tradition, ascriptions of moral responsibility cannot be collective and nondistributive.

As a revisionist and critic of moral reductionism, French points to the failure of traditional individual ethics to deal with collective responsibility, as well as

the inaccuracies it generates if used in the assignment of moral responsibility ascriptions to collectives.¹⁵ Innocent individuals could be assigned moral responsibility for untoward acts they neither knew about nor intended. Adherence to individual reductivism, he suggests, also breeds skepticism about assigning moral responsibility to collectives. And, of course, French's goal is to be able to assign moral responsibility to a conglomerate collectivity--to a large corporation such as General Motors.

In his discussion on types of collectivities, French also distinguishes between kinds of responsibility ascriptions and explains how they can pertain to the different collectivities. He describes two notions of "blaming," which make for the distinction between causal responsibility and moral responsibility ascriptions. First, responsibility ascriptions of blame/disapproval usually fix or establish the cause of untoward events. Thus, in this first sense, to blame is to fix responsibility; that is, to identify the cause or causes of an untoward event.¹⁶ Second, and more important, to blame is to "hold responsible," that is, morally responsible for an untoward action performed intentionally.¹⁷ Implicit in this second meaning of blame is the notion of causal responsibility. Usually, moral responsibility includes causal responsibility because moral wrongdoing involves

both causal and intentional elements. Nevertheless, to fix blame or responsibility amounts of assigning causal or nonmoral responsibility, whereas to "hold responsible" for an untoward act amounts to assigning moral responsibility.

Causal or nonmoral blaming is appropriate in cases of accident, mistake, or other unintentional or unknowing actions. Nonmoral blaming merely identifies the causes of the untoward event and affixes causal responsibility to either persons or animate and inanimate objects.¹⁸ For example, causal responsibility ascriptions can be assigned as follows: to a toddler for having broken a vase, to a dog for having chewed the oriental rug, and to the cold weather for a malfunctioning garage door opener.

According to French, causal responsibility is insufficient blame for moral or intentional wrongdoing. Ascriptions of moral responsibility involve both the identity of the cause of untoward event and the intentional action of subject of moral predication or judgment.¹⁹ However, the primary focus of moral responsibility ascriptions remains the subject's intentions. To justly assign a moral responsibility ascription to a subject, it must first be established that the subject either intended to perform the act or did the act intentionally.

Now, according to traditional individualism, moral responsibility can be ascribed only to a human being who has the capacity to be intentional and/or able to perform acts intentionally. Individualist or reductionist theorists insist that only individual human beings, and not collectives, can qualify as intentional actors or moral agents. French thinks that these theorists are blind to differences between types of human organizations or groupings.²⁰ Reductionists tend immediately to reduce all groups' actions and intentions to the actions and intentions of the individual human beings who comprise the respective groups. Group activities are perceived as disguised individual activities. French shows his objection to reductionism by distinguishing among collectivities, as well as among ascriptions of blame. The following two sections elaborate on these distinctions and point to the kind of collective responsibility that can be had by the large corporation.

2.4 Aggregates and Responsibility

As indicated above, an aggregate collectivity differs in identity from a conglomerate collectivity, as well as from a statistical collectivity. Given that the identity of an aggregate collectivity is determined by a nonunified togetherness of members at a particular place and time, any responsibility ascription assigned the aggregate,

according to reductionism, must be distributed among the individual members. If an aggregate (an angry mob) is blamed for untoward events (destruction of private property and personal injury), the ascription would be a nonmoral blaming of causal responsibility against the aggregate, and then distributed among the aggregate's members. Since moral responsibility can be assigned only to a human individual person acting intentionally to bring about an untoward act, an ascription of moral responsibility cannot be assigned to an aggregate collectivity. Only causal or nonmoral responsibility can be assigned to an aggregate and then distributed among its individual members.

French concedes that reductionism can legitimately be used for aggregate causal responsibility ascriptions, since blaming of this kind fixes responsibility on the cause of untoward action and not on intentional actions of individuals, which would be difficult to do given the tentative nature of an aggregate collectivity, namely, an angry mob that quickly aggregates and then soon disperses.²¹

It must be remembered that any change in membership of an aggregate constitutes a change in the identity of the aggregate collectivity. The identity of the aggregate lies in the aggregate of the individuals, and not in the individuals themselves. The individuals who comprise the



aggregate do not denote the aggregate, but the aggregate denotes the collection of individuals. Consequently, a moral responsibility ascription can virtually never be justly assigned to an aggregate collectivity. Only causal or nonmoral responsibility can be ascribed to aggregates, and then distributed among individual members.

Nevertheless, French suggests that "each member of a nonmorally responsible aggregate is or is not morally responsible for an untoward action, only insofar as he is or is not capable of supporting some exculpatory or mitigatory excuse in his own behalf with regard to the wrongdoing."²² In other words, it is possible that each member of a nonmorally responsible aggregate can be held morally responsible, as an individual, for an untoward event, if he or she cannot support some good excuse or extenuating circumstance for being involved in the untoward event. For example, a member of the angry mob, mentioned above, could be held morally responsible for untoward events of destruction of property and personal injury, unless he or she could offer an excuse, such as he or she was forced into the angry crowd against his or her will and was moving along with no intention of destroying property or injuring others. This example of a moral responsibility ascription for a member of a causally responsible collective will be of some interest further on



in this work when discussing causal responsibility of corporations for wrongful activities, and the possible moral responsibility that could be assigned to individual members of the corporation who are found to be involved in bringing about the wrongful act.

As we have seen, nonmoral responsibility ascriptions assigned to an aggregate collectivity are distributive among the members, thereby assigning nonmoral responsibility to each member. What is predicable of an aggregate is reducible to the individual members of the collective. Only nonmoral or causal responsibility can be assigned to an aggregate, and justifiably distributed among members of the aggregate. Consequently, moral responsibility can only be justifiably assigned to intentional individuals, not to "unintentional" aggregate collectivities.

The statistical collectivity, which is the third kind of collectivity discussed above, and that can be identified by a collective noun or noun phrase such as the term, "the American people," refers to what French calls a disguised aggregate collectivity. Although, by identity, a statistical collectivity differs from an aggregate, yet, as subjects of responsibility predications, they are similar collectivities for assignments of causal or nonmoral and distributive responsibility. Thus, responsibility ascriptions predicated of statistical collectivities are similar to ascriptions predicated of aggregates;

that is, only causal or nonmoral ascriptions can properly be assigned the statistical collectivity and justly distributed among its members.²³

The final collectivity to be examined for responsibility implications is French's second type of collectivity discussed above, namely, the conglomerate collectivity.

2.5 Conglomerates and Responsibility

As previously indicated, a conglomerate collectivity is an organization of individuals, such that its identity is not altered or destroyed by variation in number or kind of membership. Thus, a conglomerate has its own identity, separate from its individual members; it is not identified by the aggregate of associated persons. There are some important characteristics of a conglomerate that warrant reiteration: (a) a conglomerate has internal mechanisms and decision procedures, and (b) a conglomerate is a legal or juristic person that is subject to the law.

As regards predications of responsibility that may be directed toward a conglomerate collectivity, French holds that they do not pertain to the individual members. What is said about or predicated of a conglomerate is not necessarily predicated of any one or all of the individual members associated with it.²⁴ French asserts that seldom, if ever, does the name of a conglomerate, for example,

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General Motors, refer to a determinate set of individuals. Likewise, ascriptions of blame toward General Motors, for example, seldom, if ever, refer to any and all of its members. Thus, for French, responsibility statements, whether "causal" or "moral," ascribed to a conglomerate are not reducible to a conjunction of statements ascribing responsibility to the individual members of the collectivity.²⁵ For a conglomerate collectivity, then, responsibility is nondistributive. Responsibility ascriptions made about conglomerates cannot justly be assigned to the individual members of conglomerates merely on the basis of their being associated with the accused conglomerates. If and when a corporate conglomerate is found responsible for some untoward action, one cannot justly conclude that any and all of the individuals associated with the corporation are consequently responsible for the untoward action.²⁶ Corporate conglomerate responsibility for an untoward action must be considered and handled separately from individual responsibility. Reductive ethics of individualism cannot be justly used in corporate responsibility ascriptions; hence the nondistributive character of conglomerate responsibility ascriptions. One would have to make the connection between individual persons and the untoward action, and then search out the human persons involved in



the causal action and/or intentional decision that brought about the untoward event.²⁷

From French's examination of conglomerate responsibility, we find that any responsibility ascription assigned to a corporate conglomerate must be nondistributive. He seeks a singular identity for the corporate collective, so that moral responsibility can be assigned to the corporation if he can show that the corporation is an intentional moral person. If French does not succeed in proving corporate moral personhood, the situation will reveal a double approach to assigning responsibility in corporate settings in order to justly reach the responsible actors, both legal and moral. First, causal nondistributive responsibility ascriptions for untoward corporate actions can be assigned the corporate conglomerate itself. Second, moral responsibility ascriptions can be assigned the corporation's individual members who are found to be "intentionally" involved in the untoward corporate action. Thus, individual human members of a corporate conglomerate can be held morally responsible for decision actions or inactions that caused or brought about a wrongful corporate event. If members can be linked to a wrongful corporate action and found responsibly related or intentionally connected to the wrongdoing, they can be held causally and morally responsible for the event. Yet, whether or not

individuals can be found responsibly related to corporate wrongdoing, the corporation itself can, at most, be held causally and/or legally responsible for the event.

This discussion on the dual character of conglomerate responsibility, that is, of corporate responsibility and individual responsibility, points to the two-dimensional tenet of corporate responsibility that this dissertation proposes and defends. As we have seen, nondistributive or causal responsibility ascriptions can be justly ascribed to the conglomerate for wrongful acts. So, too, is it just that ascriptions of individual moral responsibility be assigned to individual corporate members who are found to be responsibly related to corporate wrongdoing. The two-dimensional approach to corporate responsibility could provide a plausible way to properly assign responsibility ascriptions in corporate settings.

Thus far in the exploration of French's corporate moral person view, we have examined the concepts of moral responsibility, individual versus collective responsibility, identity, and types of collectivities. We have arrived at a basic comprehension of a corporate conglomerate and found that it is an identifiable entity subject to collective nondistributive responsibility, as well as moral predications, if French can prove the corporation is an intentional moral person. An important



feature of a conglomerate collectivity is its constant identity, regardless of change in corporate membership. The identity of the corporation is separate from the aggregate of individuals who comprise its membership. The corporation can be the subject of both causal and moral responsibility predications. For French, then, the corporation can be held causally and morally responsible for its acts, contingent, of course, on the successful acceptance of French's corporate moral person view. Individual members can likewise be subjects of causal and moral responsibility predications depending on their knowledge, intentional action, and responsible relationship to the wrongdoing. For example, the corporate entity, General Motors, could be causally blamed (and morally, if French can show corporate moral personhood) for dumping toxic wastes into a water supply, as well as particular corporate executive members, who could be found blameworthy of ignoring or sidestepping Environmental Protection Agency (EPA) regulations during the decision planning process for plant production. In this particular case, corporate members could, technically, be held legally and morally responsible for dumping toxic wastes into a community's water supply. Causal and legal responsibility is had by General Motors Corporation in violation of federal EPA laws, whereas moral responsibility is had by the human decision members for



bringing about a harmful situation that threatens to impose injury to human beings.

Nevertheless, for now, the conglomerate type of collectivity, with its nondistributive responsibility character, remains centrally significant to French's argument for moral personhood of the corporation, the notion of which this work ultimately refutes. If French cannot show that the corporation is a moral person, then all moral responsibility must revert to the human intentional corporate members, and only causal responsibility can be validly assigned the corporation itself. Any moral responsibility assigned the corporation must find its way to the human corporate members.

Thus, while French uses the conglomerate concept to assert moral personhood of the corporation, this work treats the corporate conglomerate merely as an identifiable legal entity, which incidentally can boast a moral dimension of human rational persons who inform organizational positions, make decisions, and implement action plans, and thereby constitute the intentional and moral factors of corporate responsibility.

In the following chapter, I examine the notion of moral person and review French's case for moral personhood of the corporation.



Notes--Chapter II

¹Peter A. French, Collective and Corporate Responsibility (New York: Columbia University Press, 1984), p. vii.

²Ibid., p. viii.

³Ibid., p. x.

⁴Ibid., pp. xii, 31, 46.

⁵Ibid., p. ix.

⁶Reported in Forbes (May 1981); cited by Bill Shaw and Art Wolfe, The Structure of the Legal Environment (Boston, Mass.: Kent Publishing, 1987), p. 195.

⁷French, Collective and Corporate Responsibility, p. 12.

⁸Ibid., pp. 22-23.

⁹Ibid., p. 12.

¹⁰Ibid., p. 13.

¹¹Ibid., p. 14.

¹²Ibid., p. 17.

¹³Ibid., pp. 17-18.

¹⁴Ibid., p. 2.

¹⁵Ibid., p. viii.

¹⁶Ibid., pp. 4-5.

¹⁷Ibid., p. 5.

¹⁸Ibid., p. 6.

¹⁹Ibid., p. 7.

²⁰Ibid., p. 19.

²¹Ibid., p. 12.

²²Ibid., p. 9.

²³Ibid., p. 18.

²⁴Ibid., p. 13.

²⁵Ibid., p. 14.

²⁶Ibid., p. 16.

²⁷Ibid., p. 17.

CHAPTER III

FRENCH'S ARGUMENT FOR CORPORATION

AS A MORAL PERSON

Now according to French, the fact that corporate conglomerates are blamed for social problems and are frequently the subjects of nondistributive responsibility ascriptions, and even indicted for criminal violations of law, reveals an intuitive notion of the corporation as a morally accountable entity, and maybe even a moral person.¹ After all, a corporation has an identity all its own, separate from its membership, and it is an individual entity that can be blamed, sued, indicted, and assigned responsibility ascriptions. Furthermore, large corporations are treated as persons for constitutional purposes, and also have the legal responsibility and duty to behave in accordance with society's established laws. As a move beyond corporate legal status, French recommends that corporations should be treated as intentional actors or moral persons, and be given full-fledged membership in the moral community and be granted equal standing with humans.

3.1 Concepts of Personhood

However, in order to rationally determine moral personhood of the corporation, French examines the metaphysical notions of identity and agency, and then tests the corporation against these moral person criteria. So far, we have elaborated on the identity of the corporation and found it to be an individual, independent collective entity. Now the notion of moral agency needs to be explored. Initially, French presents us with three different notions of the term person. The three concepts of personhood are (a) metaphysical, (b) moral, and (c) legal.² The metaphysical notion of person involves the idea of agency and intentional action. Whereas the moral notion of person implies accountability, the legal notion of person refers to a subject of rights and responsibilities. From the outset, French disregards the legal concept of person in the discussion on moral personhood of the corporation simply because a juristic person, as a subject of rights, need not be an intentional decision agent or "administrator of rights."³ Thus, for French, the legal notion of person is useless for moral purposes.

However, French does admit that these abstract personhood concepts are sometimes confused, and that explanations regarding them can vary from philosopher to philosopher. Nevertheless, amid the variability, he cites

two major schools of thought on the relationship between the metaphysical and moral notions of person.⁴ One is the Lockean interdependency view, which claims that to understand what it means to be accountable, one must understand what it means to be an intentional or rational agent and vice versa. In other words, to be a metaphysical person is equivalent to being a moral person; that is, an intentional agent is an accountable or moral agent and vice versa. The second or traditional view on the relationship between metaphysical and moral personhood states that an intentional agent is a necessary, but not sufficient, condition of being a moral person; that is, an intentional agent along with intentional action makes for a moral person. According to this view, a moral person is an intentional, actional human agent who has a mind-body unity of action and is accountable for intentional action or inaction.

3.2 Intentional Agent View Versus Intentional Action

As it happens, French adheres to the interdependency view of metaphysical/moral personhood and discounts the traditional or intentional human action view of what it means to be a moral person. So, for French, intentionality or intentional agency is sufficient to be a moral person. Therefore, if French can show that a

corporation is an intentional agent, then he can declare that a corporation is also a moral person. This endeavor to demonstrate that corporations are intentional agents meets with a formidable stumbling block, namely, the long-time philosophical and legal understandings that only rational human beings qualify as intentional actors. From Aristotle to present-day social, moral, and legal thought, the notion of rational, intentional agency has referred exclusively to human beings. Two major contemporary challengers to French's view of the corporation as moral person are the moralist philosophers, Manuel G. Velasquez and Thomas Donaldson, who in essence adhere to the classical intentional action persuasion and uphold the idea of moral person as an intentional, rational human being. In his discussion on the moral status of corporations, Donaldson indicates that in order for corporations to be moral persons, they must be able to perform intentional actions. He questions whether corporations are capable of performing intentional actions:

But can corporations really perform such actions? Flesh and blood people clearly perform them when they act on the basis of their beliefs and desires, yet corporations do not appear to have beliefs, desires, thoughts, or reasons.³

The same classical notion of moral, intentional action is referred to by Velasquez when he explains the Roman legal

concepts of actus reus and mens rea that comprise the "legal rendition" of moral responsibility:

In its classical form, . . . [moral] responsibility requires both an actus reus and mens rea. That is, the accused will be found . . . [morally] responsible for a wrongful act only if (1) he personally brought about the wrongful act (result of his own bodily movements) or he personally helped to bring it about or he failed to prevent the act when he could have and should have, and (2) he did so intentionally (i.e. . . . in voluntary control of his bodily movements that resulted in the act . . . or omission).⁶

Of course, French rejects the implication that only human persons can be moral persons, and that being human is a necessary requisite for intentional action. He adheres to an intentional agency persuasion that does not require bodily movement or actus reus for moral intentional action, largely due to his claim that the corporate collective itself should be held as a morally responsible agent. As a consequence, he endeavors to explain that the corporation can be said to act intentionally since it produces corporate acts, which can be described as corporate-intentional because of the corporation's internal decision structure (CID Structure)--the corporation's intentionality device.⁷ French leads us to believe that both the corporate entity and the corporate decision members are the intentional actors in corporate settings, and that both the corporation and its members can be held morally responsible for wrongful acts. French wants us to interpret the term corporate act as having two meanings:

(a) a corporate act brought about by human decision members, and (b) a corporate act brought about by the intentional actor, the corporation.⁸ He arrives at these two understandings from a description of a corporate act as brought about by the corporation's human members, and a redescription of corporate act as an act brought about by the corporation's intentional CID Structure.⁹

In defense of his position, French refers to the Davidsonian conception of agency, in which the key for intentional action lies in sentences and descriptions of actions that connect an intended action with an intentional agent.¹⁰ Davidson's proposal for agency states: "A person is the agent of an event if and only if there is a description of what he did that makes true a sentence that says he did it intentionally."¹¹ French refers to the Davidsonian notion of agency to explain that he can redescribe a corporate act as intended by the corporation itself and as corporate-intentional, because it was done for corporate reasons via the corporate internal decision structure. Thus, French can conclude that the corporation is an intentional agent, since corporate acts can be described as brought about for reasons provided by the corporate internal decision structure. In this way, French defends corporate intentional agency over and beyond human intentional agency.

Here, perhaps, French is confused because he does not mention that Davidson opens the agency concept to agents other than human persons.¹² There is no evidence in Davidson's article and follow-up commentaries that Davidson's agency concept refers to anything but human persons.¹³ It appears that Davidsonian agency refers to exclusively human persons.

In yet further defense of his position on corporate intentional agency, French goes as far as to accuse John Rawls of an "anthropocentric bias" which prevents the philosopher from pursuing his intuition that groups (corporations, churches, and states), as well as individuals, could be included among the intentional persons of the "original position" described in A Theory of Justice.¹⁴ Donaldson, likewise, observes that Rawls mentions groups such as corporations and churches among the parties capable of arriving at the two principles of justice. Yet he notices elsewhere in "Justice as Reciprocity" that Rawls admits to a "certain logical priority" of human individuals in the original position.¹⁵ Donaldson interprets this vacillation as an indication of the ambiguity of theoretical thought on the treatment of corporations. How one can reach the responsibility centers of corporations, if they exist at all, remains a challenge, and one that motivates this work.

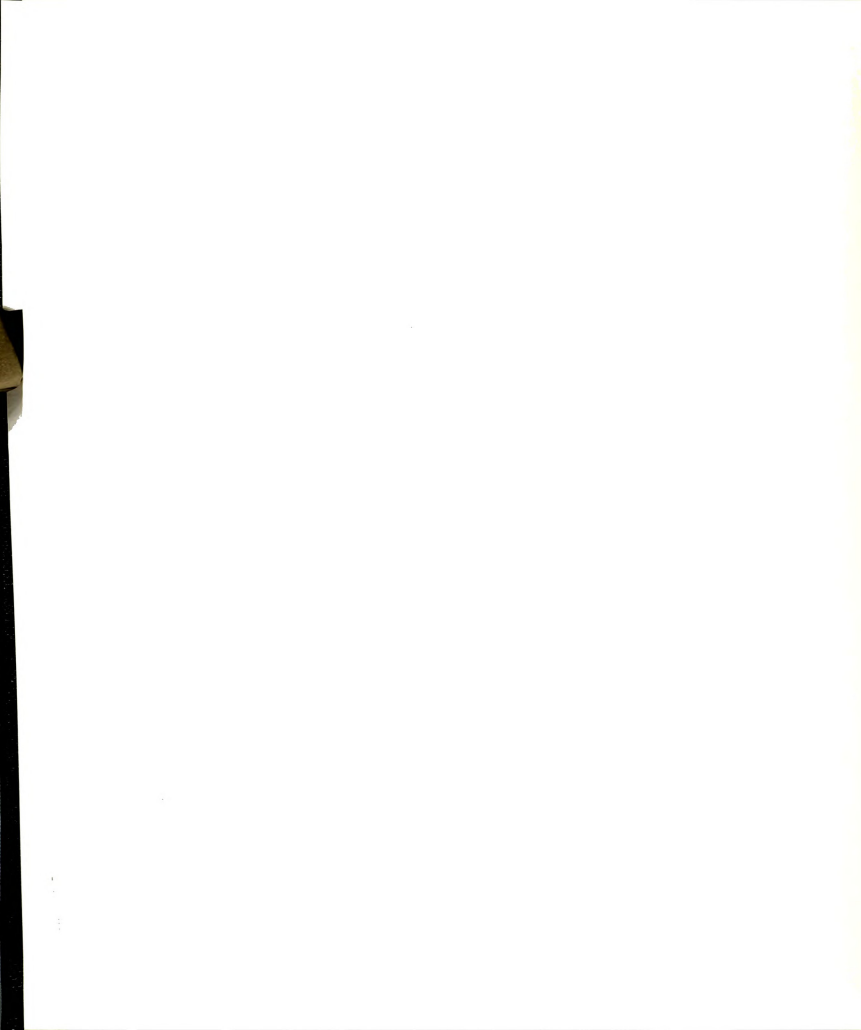
From what we have seen, French construes Rawls's stance on moral personhood as an anthropocentric or human-centered bias. It appears that Rawls cannot withstand the powerful precedence of only individual, rational humans qualifying as moral persons. Unwittingly, French himself displays an anthropomorphic bias in his "corporation as moral person" argument that attributes human rational agency and intentionality to corporations, which are obviously not humans but conglomerate collectivities.

3.3 Intentional Dimensions of Corporate Framework

In spite of the prevailing traditional moral person view, French proceeds to examine the corporate structure for evidence of corporate intentionality. For in order to treat the corporation as a moral person, it must be shown that a corporation's actions are intended by the corporation itself, and not by the human persons who comprise its membership. Now, French observes that a corporation has reasons or rational intentional purposes for doing what it does, and that these reasons for a corporation's business practices are embodied essentially in its operating policies. He also observes that corporate decision making occurs according to procedural or hierarchical order and the corporation's policy rules. These decision-framing elements of authoritarian hierarchy and company policy rules form what French calls a corporate internal decision

structure or CID Structure.¹⁶ Each corporation has an internal decision structure that reflects its intentions, that is, policies, rules, and procedures by which it can be said that the corporation acts or performs intentionally. For French, then, the corporate internal decision structure represents the intentional agency component, which together with corporate identity constitutes a moral person and subsequent moral responsibility. The CID Structure becomes the crucial evidence of corporate intentionality and consequential moral personhood.

The CID Structure is described as having essentially three elements: (a) organizational or responsibility flowchart, (b) procedural rules, and (c) policies.¹⁷ First, an organizational flowchart identifies the formal organizational structure of power and position, and the interrelationships among levels of authority. It represents the power pyramid of responsible decision makers, as well as the levels of reporting and communication channeling. The valid corporate decision action follows the formal pecking order of the organization's responsibility flowchart.¹⁸ The second and third elements of CID Structure are procedural rules and policies, respectively. French refers to these elements as the corporation's decision recognition rules that "determine and justify the corporate intentional character of corporate actions."¹⁹ Corporate recognition rules of



procedure and policy provide the formal guidelines for decision making. Recognition rules are found in operational documents and written corporate policies. The procedural rules assure corporate collective decision making at certain levels with ratification at higher levels, whereas the policy rules assure a valid corporate decision based on the values, ideals, and beliefs of the particular corporation.²⁰ Thus, for French, corporate rules of procedure and policy are at the core of his intentionality argument for corporate moral agency.

Interestingly enough, French alludes to H. L. A. Hart's explication of recognition rules as practiced in the law system and generally in large-scale social institutions.²¹ Hart attests to recognition rules as providing legitimate authority and procedures for developing policies and valid criteria for legitimate institutional decision making.²² But for French, the corporation's recognition rules consist of organizational procedures and policies whereby corporate acts are brought about intentionally, not only by the human decision members but by the corporate entity itself. French, of his own accord, gives added import to recognition rules to suit his argument for corporate moral agency. As we learn from Hart, recognition rules provide legitimacy for institutional decision making; yet French interprets



corporation recognition rules as indicating not merely legitimacy of decision making, but also intentionality of the corporate entity. French perceives the CID Structure as an intentionality device whereby the corporation acts with deliberation, purpose, and intent. It must be noted as well that Hart's discussion of recognition rules in Chapter VI of The Concept of Law makes no reference to the metaphysical issue of intentionality.

In French's scheme of corporate intentionality, a corporation is an intentional agent because of the decisions arrived at by conjunctive deliberation of corporate executives according to and consistent with established corporate rules and policies and then redescribed as corporate acts. These corporate acts are corporate intentional because the acts reflect the corporation's particular purposes and intentions. Thus, for French, if the corporate entity can be considered intentional, it can also be held morally responsible for its acts. It must be emphasized the French argues for moral responsibility of the corporate entity in addition to moral responsibility of corporate members. French never denies that human corporate members can be held morally responsible, but he argues that the corporate entity as well as human decision members can be held morally responsible for corporate acts. A corporation has its own identity and its own particular purposes and

intentions for acting. The metaphysical components of identity and intentionality constitute, for French, the corporate entity's moral personhood, whereby it can be held morally responsible for its actions. As French asserts, the corporate entity should be given full-fledged membership in the human moral community. It should be held morally responsible for any and all corporate decision actions that may have brought harm or injury to others.

3.4 Summation of French's Moral Person View

In summary, then, the crux of French's argument for corporate moral personhood rests on the CID Structure, which for French reveals corporate intentionality. The procedural rules and policies that reflect the particular corporation's purposes direct the human decision making that brings about corporate acts. It is at this point of redescription of corporate acts as corporate intentional acts that French takes his metaphysical leap to claim that the corporation itself is intentional as understood in traditional morality of human intentional action.²³ As a consequence, French wants the corporation to be admitted to full-fledged membership in the human moral community. Thus, French holds fast to his line of reasoning that the corporation's identity as conglomerate collectivity plus

corporate intentionality add up to the corporation as an accountable moral person.

In the next chapter, I review the significant challengers of French's moral person view for their criticisms, arguments, and insights on the problem of corporate responsibility.



Notes--Chapter III

¹Peter A. French, Collective and Corporate Responsibility (New York: Columbia University Press, 1984), pp. 31-32.

²Ibid., pp. 32-33.

³Ibid., pp. 34, 37.

⁴Ibid., pp. 32-33.

⁵Thomas Donaldson, Corporations and Morality (Englewood Cliffs, N.J.: Prentice-Hall, 1982), p. 21.

⁶Manuel G. Velasquez, S.J., "Why Corporations Are Not Morally Responsible for Anything They Do," Business and Professional Ethics Journal 2 (Spring 1983): 2-3.

⁷French, Collective and Corporate Responsibility, p. 39.

⁸Ibid., p. 40.

⁹Ibid., pp. 44-47.

¹⁰Peter A. French, "The Corporation as a Moral Person," Ethical Issues in Business, 2d ed., ed. T. Donaldson and P. Werhane (Englewood Cliffs, N.J.: Prentice-Hall, 1983), pp. 115, 119.

¹¹Donald Davidson, "Agency," in Agent, Action, and Reason, ed. R. Binkley, R. Brunaugh, and A. Marras (Toronto: University Press, 1971), p. 7.

¹²French, Collective and Corporate Responsibility, p. 38.

¹³Davidson, "Agency," pp. 3-37.

¹⁴French, Collective and Corporate Responsibility, pp. 33-34.

¹⁵Donaldson, Corporations and Morality, p. 15.

¹⁶French, Collective and Corporate Responsibility, p. 41.

¹⁷Ibid., pp. 48-51.

¹⁸Ibid., pp. 49, 51.

¹⁹Ibid., p. 53.

²⁰Ibid., p. 43.

²¹Ibid., pp. 43, 52.

²²H. L. A. Hart, The Concept of Law (Oxford: Oxford University Press, 1961), chapter 6.

²³French, Collective and Corporate Responsibility, p. 47.



CHAPTER IV

MORAL PERSON VIEW CHALLENGED

The corporate moral person argument, which French defends, holds that a corporation is an individual entity with intentionality, as evidenced in its CID Structure, that uses rational rulers and policies in formulating corporate decision actions. As French indicates, intentionality remains a key factor in determining moral personhood. However, the philosophical comprehension of intentionality consists of essentially two variations: one understanding involves merely purposive intentions, and the other suggests intentional action. For French, purposive intentional agency is sufficient to establish intentionality and to determine whether something is a moral person--the Lockean conception of moral person. On the other hand, there is the traditional conception of intentionality that requires both mental intentions and bodily movement for an intentional act. A moral person, then, according to classical moral thought, would, in all probability, be a rational human being and not a conglomerate collectivity. Thus, it happens that the significant challenges to corporate moral personhood stem



mainly from the classical understanding of intentionality as intentional actional agency, that is, human or personal moral agency.

At this point, the ideas and writings of three notable challengers to the moral person view of corporation are examined and evaluated for possible insights on the issue of corporate moral responsibility. These challengers present arguments that oppose the notion of corporate moral personhood and consequential corporate moral responsibility. Thomas Donaldson points to the distinction between corporate and human moral agency that stems from the common, observable difference between a corporation and a human being. He argues further that an intentional agent is not necessarily a moral person, and that the CID Structure does not indicate the intentions of the corporation itself, but rather the intentions of human agents. Next, Manuel G. Velasquez countervails with the two requisite principles of moral responsibility, mens rea and actus reus, which require intentional action with bodily movement. He also cites the notion of origination, which requires a corporate action to originate in the corporation itself, i.e., in its intentions and bodily movements. And last, John Ladd presents the formal structure notion of corporate organization, which designates a business corporation as an amoral, materialistic, and goal-directed enterprise. A business



corporation's purposes are essentially economic and financial. Morality and morals as such are not corporate business goals. Corporate actions consist of economic production and pecuniary gain. Thus, these theorists challenge the notion of corporation as moral person and point to alternative notions that deserve consideration in forming a plausible conceptualization of corporate responsibility. These theorists object to the notion of corporation as moral person, and yet they are interested in corporate responsibility. They offer alternative notions that deserve consideration in forming a plausible conceptualization of corporate responsibility.

4.1 Donaldson and Moral Agency

Our first challenger is the contemporary philosopher, Thomas Donaldson, who in his renowned work entitled Corporations and Morality discusses the moral status of corporations, and concludes with more certainty about what the corporation is not than what it is for moral evaluation. Initially, he admits that the corporation defies subjugation to individual moral analysis and that there is a need to develop a moral theory for corporations. For this reason, a search is made for the moral dimension of corporate enterprise. Donaldson observes that, in ordinary conversation, corporations are blamed for corrupt practices or held responsible of social wrongdoings, all of which imply that corporations are



viewed as moral or accountable agents. Likewise, in the legal sphere, corporations are treated as accountable juristic agents: they can own property, enter into contracts, sue and be sued, and be indicted, convicted, and punished; they are also protected by the Fourteenth Amendment and have right to free speech. In these many ways, corporations are attributed with accountable agency. However, Donaldson points to the difference between corporate and human moral agency, in spite of the same rights and responsibilities that corporations and humans share. The distinction between corporate moral agency and human moral agency arises not merely from other rights and responsibilities that are not shared (e.g., voting, draft registration, social security benefits, strict liability, unlimited longevity, self-incrimination), but, more important, from the logical and literal difference between a corporation and a human being.¹

Donaldson further addresses the distinction he wants to make between corporate and moral agency when he critiques French's Moral Person view. In fact, it is the matter of distinction between corporate and human agency that prompts Donaldson's objection to French's conclusion that corporations are moral persons just as humans are moral persons. To begin with, Donaldson disagrees with French's understanding of moral agency or intentionality: that an intentional or moral agent is necessarily a moral

person.² This stance of Donaldson is undoubtedly due to his adherence to the traditional notion of moral person as a rational human being. Yet, more specifically, he challenges French's CID Structure rationale as proof of a corporation's intentionality.³ The corporate decision-making process may, in fact, consist of authoritative deliberation and policy reasons; however, according to Donaldson, this type of intentionality does not clearly indicate the intentions of the corporation itself, but rather the intentions of human policy makers, directors, stockholders, and the like. Just because corporations seem to behave in an intentional manner does not warrant the conclusion that they are moral agents or moral persons. Thus, Donaldson suggests that French's argument is weak in establishing the corporate locus of intentions, and also insufficient in demonstrating corporate moral agency and personhood. He offers three major points of challenge to the moral person view, and they pertain essentially to corporate intentionality: (a) what corporations do cannot be equated with what corporations intend; (b) CID Structure reveals, for the most part, intentions of human founders, directors, stockholders, and so on; and (c) there is little resemblance between so-called corporate intentions and individual human intentions. Donaldson summarizes his critique of the moral person view as follows:



The Moral Person view of the corporation . . . exaggerate[s] the similarity between corporations and people. Corporations are not, morally speaking, "persons." Neither the fact that they behave intentionally, nor the fact that they are granted certain legal rights by the courts implies that they are persons. Corporate "intentions" differ from individual human intentions, and the mere existence of intentions fails by itself to guarantee moral agency (witness lower animals and computers).⁴

In an explicit and emphatic way, Donaldson concludes that corporations are not moral persons:

. . . Corporations fail to qualify as moral persons. They may be juristic persons, granted legal rights by courts and legislators; they may even be moral agents of some other kind; but they do not appear to be "moral persons" in any literal sense of that term.⁵

From what Donaldson tell us, there is substantial evidence that makes practically certain the claim that corporations are not moral persons. However, corporations may be juristic persons or what can be termed paramoral persons, or they may even be moral agents of some special kind. It is the idea of some special kind of moral agency that Donaldson offers toward a comprehension of corporate responsibility. Since corporations are not moral persons who possess personal moral agency, then perhaps they may have characteristics that would qualify them as corporate moral agents. Donaldson proposes two minimum requirements for corporations to qualify as moral agents:

1. The capacity to use moral reasons in decision-making.
2. The capacity of the decision-making process to control not only overt corporate acts, but also the structure of policies and rules.⁶

These conditions comprise the bare essentials for corporate moral agency. The first recommended condition demands that a corporation ought to consider and integrate socially approved moral reasons in the decision-making process. Second, the corporation must include moral values in corporate general policies and have them reflected in procedural rules. These criteria would not only determine corporate moral agency, but also provide the grounding for corporate moral responsibility. With built-in mechanisms for moral control, a corporation could more readily correct and even prevent untoward activities. Donaldson further suggests that the conditions for moral agency be met as a requirement for moral status at the time of incorporation.⁷ The feasibility of this latter recommendation seems rather unlikely because it would necessitate a rewrite of states' incorporation laws that would probably be preceded by political debate, if considered at all. A similar, but more elaborate, proposal for developing the moral character of corporations has occurred on the national level with the 1980 Corporate Democracy Act, which has been placed on the back burner in Congress's kitchen because it was found to be an extreme reform measure.⁸ As for Donaldson's criteria for corporate moral agency, it appears that human intentionality is being superimposed on a nonhuman entity.

Nevertheless, the most significant contribution Donaldson offers to our search for corporate personhood and responsibility is his argument that corporations are not moral persons.

4.2 Velasquez and Principles of Moral Responsibility

Our next philosopher-challenger to French's Moral Person view is Manuel G. Velasquez, who in his article, "Why Corporations Are Not Morally Responsible for Anything They Do," meets French's argument head on with the two requisite principles of moral responsibility--actus reus and mens rea.⁹ He mentions that these requirements of human responsibility are constituent of both philosophical and legal understandings of responsibility. An actus reus requires that the wrongful act originate in the agent or doer, and that the agent perform the act with his bodily movements. Mens rea requires that the agent who originates the act with his bodily movements must also perform the act according to his intentions. Thus, for an agent to be morally responsible for an act, he must intend to perform the act with his own bodily movements.¹⁰ In the law that is stated as a wrongful intention carried out in a wrongful deed, and together render the actor (agent) criminally liable.¹¹ For Velasquez, then, moral responsibility is the kind of responsibility that is



ascribed to an individual human person for actions that originate in the person, that is, both in his intentions and bodily movements. The notion of origination is pivotal to Velasquez's argument that corporations are not morally responsible for untoward corporate acts because corporate acts do not originate in the corporation itself, that is, either in its intentions (if policies and rules can be considered as such) and bodily movements (of which it is incapable). Velasquez explains:

This notion of "origination" is thus tied to a concept of human beings as having a certain kind of mental and bodily unity. An agent originates an action in this sense when (1) he forms a plan of action or intention in his mind and (2) he executes this intention through bodily movements over which he has direct control.¹²

. . . Corporate acts do not originate in the corporation but in the corporation's members, . . . [because] corporations do not act except through their members.¹³

. . . Corporations do not originate acts in the manner required by attributions of moral responsibility--namely, by directly moving one's own body (actus reus).¹⁴

But an act is intentional only if it is the carrying out of an intention formed in the mind of the agent whose bodily movements bring about the act (mens rea). The intentions French attributes to corporations (CID Structure), then, do not mark out corporate acts as intentional because the intentions are attributed to one entity (the corporation) whereas the acts are carried out by another entity (corporate members).¹⁵

From the foregoing passages, we see that Velasquez asserts the concept of moral responsibility based on mind-

body unity or origination of intentional action, which is constituent of human moral agency or moral personhood. As he indicates, it is in virtue of this mind-body unity that intentional actions can be said to originate and thereby qualify as moral actions, which would then warrant moral liability.¹⁶ Our Jesuit philosopher, unmistakably, supports the concept of moral responsibility that has its roots in the traditional notion of moral personhood, whereby rational human intentions joined with human intentional action constitute moral action and consequential moral responsibility.

For French, on the other hand, moral responsibility ascriptions can be assigned to merely intentional agents, who are also moral persons according to the Lockean interdependency view of moral personhood. Thus, French's argument for corporate moral responsibility focuses on corporate intentionality, and this he does by pointing to the corporation's internal decision-making structure (CID Structure) that consists of policies, rules, and procedures. Now, Velasquez rejects the CID Structure as evidence of corporate intentionality on the grounds that a corporation does not have a mind of its own from whence these policy rules or intentions originate, nor does the corporation have a body of its own to carry out these intentions. Corporate policies and rules are formulated

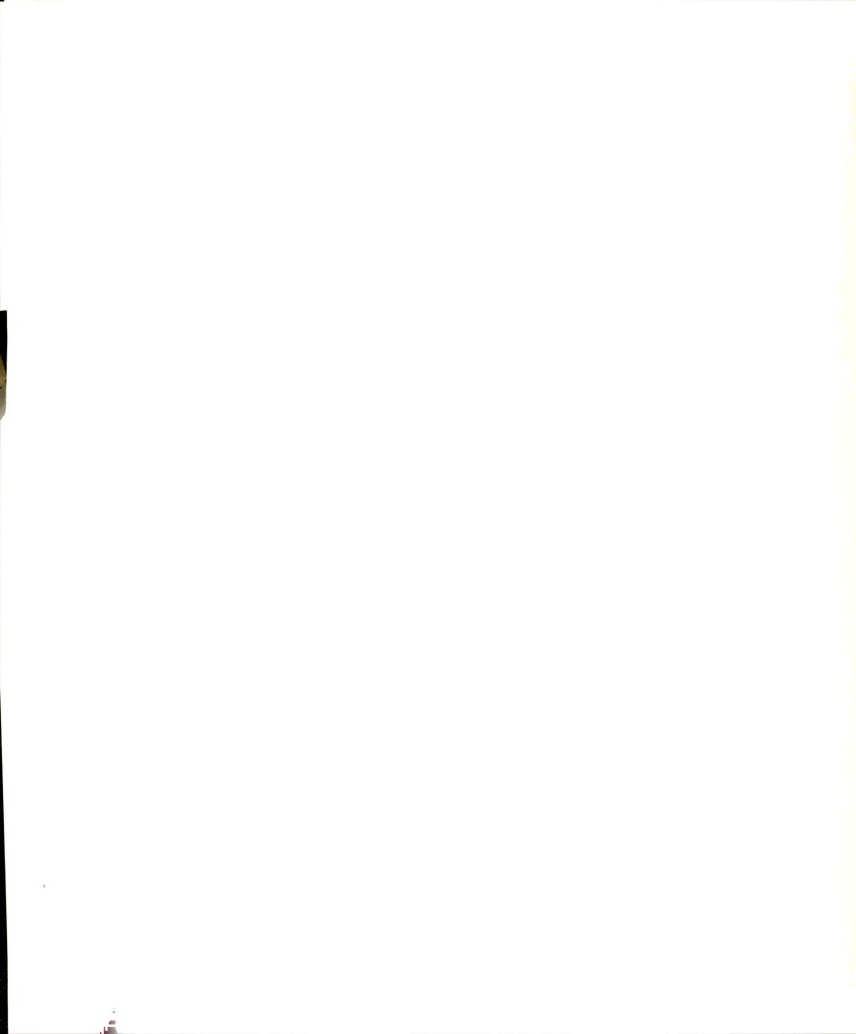


by entities other than the corporation itself, namely, corporate founders and/or members. Velasquez argues as follows:

Because they [corporations] do not themselves originate intentions and because they do not themselves carry out intentions, corporate policies and procedures cannot be said to originate intentional actions. On the contrary, corporate policies and procedures are themselves wholly the products of the intentional actions of other agents and are carried out only when other agents freely choose to adhere to them.¹⁷

Thus, Velasquez finds a corporation not to be a moral agent nor a moral person, mainly because a corporation has no perceivable intentionality, that is, no intentions of its own; and it has neither a mind nor a body from whence intentions and intentional actions, respectively, originate.

In addition, Velasquez criticizes French for his rationale on corporate moral personhood and moral responsibility in order to justify the assignment of moral ascriptions of blame and punishment to corporations for untoward acts. He believes that the desire to impose blame and punishment on corporations for wrongdoing has motivated French and others to mistakenly fabricate corporate moral personhood and responsibility.¹⁸ Now, Velasquez understands that blame and punishment for wrongdoing are justified in any of the following ways: (a) the utilitarian notion that wrongdoing ought to be



deterred, (b) the deontological or duty-bound rationale of mutual beneficence--mutual consent not to harm one another, and (c) rectification of wrongdoing.¹⁹ These principles have been traditionally connected to moral responsibility or intentional action. Therefore, blame and punishment are consequential to causal and intentional wrongdoing. Velasquez explains the connection as follows:

I have only sketched these three kinds of moral rationales for attaching blame and punishment to moral responsibility. All three rationales, I believe, are present in our common understanding of blame and punishment and in our understanding of the way in which liability to blame and punishment are conceptually connected to moral responsibility. What is crucial to notice is that all rationales connect moral responsibility to blame and punishment through mediation of moral principles that require that blame and punishment be inflicted only upon agents in whom wrongful acts originate; that is, only upon agents who intentionally carried out with their own bodies the direct movements that constituted or brought about the wrongful acts.²⁰

Here again, Velasquez claims that corporations themselves cannot be morally blamed and punished because they are not morally responsible for their actions due to lack of origination of intentional action.

4.3 Velasquez and Differentiation of Key Terms

Velasquez suggests that some reasons why French errs in wanting to ascribe moral responsibility to a corporation have to do with his failure to differentiate the meanings of the term corporation and to distinguish between the corporation and its members, between human



moral responsibility and corporate responsibility. As regards the term corporation, Velasquez presents three distinct usages.²¹ The first usage of the term corporation refers to a legal entity that is recognized and regulated by law. In this sense, the corporation is a distinct entity, separate from its human membership. The second and third usages of the term refer to a corporate organization of human persons. In one sense, the organization of human beings can mean a set of relationships; that is, the corporation refers to the structured set of relationships that identify the organizational group members in their roles. The other sense of corporation organization refers simply to the group of human beings that comprise the corporate membership. Thus, there are three frames of reference for the term corporation: the legal entity, the organization as a set of relationships, and the organization as a set of human members.

Now, when moral responsibility, blame, and punishment are ascribed to a corporation, it cannot refer to the corporation as a legal entity because origination of intentional moral action does not pertain to a corporate legal entity. Moral responsibility can only be ascribed to a rational, intentional agent or moral person who originates intentional action, and a corporate legal entity does not qualify as such. What remains, then, are

references to the corporation as an organization of positional roles and as an organization of human members. As Velasquez indicates, to attribute moral responsibility to a corporation as a set of position relationships means to assign blame and punishment to positions on the corporation's organizational chart. Now, positions or roles in a corporate organization, in and of themselves, cannot originate intentional action, nor feel shame or punishment. Only the people who fill the positions can have intentions and feel shame. It does not make sense, then, to attribute moral responsibility to the corporation as a set of relationships. Last, and most significant, to attribute moral responsibility for wrongdoing to the corporation as an organization of human persons means that the group of human members are morally responsible for the wrongdoing and should bear the blame and punishment. But here, too, important distinctions must be made regarding the distribution of responsibility to corporate members. Velasquez offers three clarifications of what it might mean to assign moral blame and punishment to a corporation's members.²² First, ascription could be imposed on the corporate group as a whole and not distributed among any of the members. This effects a nondistributive collective blame. Second, moral ascription could be distributed to each and every member of the corporation, thus effecting distributive collective

blame. Third, moral responsibility could be distributed only to certain members of the corporation.

On consideration of the first way to mete out moral responsibility to corporate members by imposing moral blame on the whole group with a collective nondistributive attribution, we find that this is not feasible since moral responsibility must pertain to individual intentional agents who originate intentional action. Thus, responsibility must be reduced or distributed to either all or some of the corporate members. Velasquez immediately and correctly discounts the collective nondistributive moral ascription for corporate members. Furthermore, distributed responsibility to either all or some of the corporation's members would be covered by the second and third considerations. Now, to assign and distribute moral responsibility to every member of the corporation indiscriminately without some assurance of each one's intentional involvement or responsible relationship to the wrongdoing would be inappropriate and unjust, as well as a defeat of moral purposes. Therefore, the collective and broadly distributive moral ascription must also be rejected, in all fairness, for use in assigning moral responsibility to corporate members.

The third and final consideration for group blame, that of assigning moral responsibility to certain intentionally involved corporate members for untoward

acts, seems to be the most acceptable, fair, and feasible way of ascribing moral responsibility to a corporation. Only those corporate members who originated the untoward acts in their intentions and intentional actions should be morally blamed and punished.

Now, Velasquez contends that when a corporation is said to be morally responsible for some untoward act, this is but an elliptical (or round-about) way of saying that some members of the corporation are morally responsible for the act. The elliptical ascription is used for want of sufficient proof as to what person or persons intentionally brought about the untoward acts. He explains as follows:

We are often forced to adopt this elliptical way of speaking because, as outsiders, we are usually ignorant of the inner workings of a corporation. Suspecting that some members of a corporation knew that an act they were intentionally carrying out (or helping to carry out, or failing to prevent) was wrong, but not knowing who those members were, we refer to them under the rubric of "the corporation" and say that the corporation is morally responsible for the act. Obviously when we say this we do not mean to indict everyone in the corporation regardless of their complicity. Nor do we mean to indict a merely fictional entity, nor a set of relationships. We are pointing, rather, to the presence within the corporation of people who intentionally brought about the wrongful corporate act.²³

Thus, for Velasquez to say that a corporation is morally responsible for an untoward occurrence is but to imply that at least some member or members of the corporation are intentionally or morally responsible for the act.



4.4 Velasquez and Intentional Action

Our philosopher makes it clear that the corporation itself (as an entity separate from its members) cannot be morally responsible for corporate acts. Moral responsibility can only be had by the corporation's intentionally acting human members. In fact, Velasquez warns against the elliptical ascription that assigns moral responsibility to the corporation and not to particular individuals, not only because the moral ascription erroneously signifies that the corporation could be a morally responsible agent, but, more important, because the corporation's human wrongdoers could escape moral sanction and go unblamed and unpunished.²⁴ He is particularly concerned, and rightly so, about reaching those human corporate members who knowingly and intentionally bring about corporate acts. Since intentional corporate acts originate in human corporate members, moral responsibility for corporate untoward acts must revert to the intentional corporate members. Thus, from the foregoing rationale, we can readily understand how Velasquez concludes that corporations are not morally responsible for their untoward acts. This position, however, does not exempt the corporate entity itself from causal and legal responsibilities, the importance of which ought never to be undermined. Furthermore, the corporate

nonmoral person view, which Velasquez upholds, attempts to philosophically pierce the protective corporate veil of moral immunity and get to the morally responsible human members of corporate enterprise.

In summation, then, we find Velasquez to be an effective challenger of the moral person view, especially when he disproves French's crucial premise regarding the CID Structure as the intentionality factor of corporate moral personhood, by pointing to the fact that corporate policies and rules are human-formulated and reflect human intentions for corporate enterprise. He offers elaborate philosophical and legal explanations of what is entailed in moral personhood and responsibility. The origination principle, which is perhaps the most compelling aspect of his counterargument, requires that moral action and responsibility originate in an intentionally actional agent. Furthermore, this principle suggests the twofold character of moral intentionality: that of intentions (mens rea) and intentional action or acting upon one's own intentions (actus reus). For a morally responsible act, then, both the intention and the intentional action must originate in one and the same agent. This concept of moral action entails a mind-body correlated unity of action. Now a corporation, as a conglomerate collectivity or legal entity, has neither a mind nor a body of its own with which to carry out a moral act. Only its human



members can claim the instruments for moral action; only its human members can perform moral acts and be morally responsible for their actions.

Even though Velasquez offers an elaborate explanation of what comprises moral responsibility, he asserts a prima facie case for distinguishing between a human being and a business corporation, between human action and corporate action.²⁵ A human person acts with his own mind and body, whereas a corporation, which has no mind or body of its own, can act only through the human corporate members who act on its behalf. A human corporate member can be held morally responsible for his untoward actions, while the corporation can be only causally and/or legally responsible for untoward corporate acts. Thus, the human being is looked to for responsible, moral action.

An important insight to be derived from Velasquez is that we are to look to the human dimension of corporate enterprise for justification and rectification of corporate action. Those responsible corporate members who make corporate decisions must be sought out for accountability of untoward corporate action. Corporate moral responsibility, then, can be said to reside with responsibly related corporate members. Therefore, moral blame and punishment must be directed toward the



responsible corporate members, as he indicates in the following passage:

If we are to deter corporate wrongdoing and be assured that corporate members will comply with our moral and legal norms, our blame and punishment must travel behind the corporate veil to lodge with those who knowingly and intentionally bring about the corporation's acts. Since corporate acts originate in them, they must be blamed and punished for those acts.²⁶

Velasquez makes us understand that to reach the moral recesses of corporate enterprise for assignment of moral ascriptions, we must look to the human beings who brought about the untoward actions. Thus, to view the corporation itself as a morally responsible agent, as French proposes, would be erroneous because the corporate collective entity cannot itself act intentionally, but only through the intentional actions of its human members.

4.5 Ladd and the Formal Structure View

Another significant challenger to French's Moral Person view is the contemporary philosopher, John Ladd, who opposes the notion of corporate moral agency and personhood because he perceives the business corporation as merely a formal organizational structure that is devoid of any moral qualities. To begin with, Ladd tells us that a formal organization is defined by its structural framework of authoritative hierarchy and goal-oriented activities which reveal the purposes of the organization.²⁷ Included in this notion of formal



organization is the large corporate business, university, labor union, and government. Now, in a business corporation, work tasks are ordered throughout the organization to achieve the economic and financial goals of the capitalistic enterprise. Thus, it is found that a business corporation as a formal organizational unit has its operational activities structured primarily for productive and profitable goals. There may also be secondary and/or unstated goals such as long-term viability or greater market share, all of which may comprise the corporate organization's objectives.²⁸ Clearly, then, the goals of large business corporations that direct organizational decision making and provide motivation for corporate activities are of a pecuniary nature, and not of moral principles and obligations.

Now, since moral principles and obligations are not the established goals of a business corporation, a corporate organization cannot "rationally" pursue these ends because the rationality of formal organizations requires that organizational decision action must be goal related.²⁹ What Ladd purports is that formal organizations are peculiarly characterized by goal-directedness, which necessitates decision action plans that aim to achieve the organization's objectives. An organization acts appropriately or "rationally" when its

decisions are in accordance with the organization's established goals. This means that those decision actions that are in line with the achievement of organizational goals are considered rational organizational decisions. In formal organizations, then, rational decision action aims to achieve the organization's specific goals. It would be unreasonable and improper for an organization's decision makers to consider alternative decisions that are not in accord with established goals and organizational purposes. Therefore, organizational decision makers are "rational" if they select the most effective means to achieve the organization's objectives.

The formal or "rational" organization is exemplified by the megacorporate business enterprise, in which can be found the rational character of goal-directedness that determines strategic action plans for achievement of organizational goals. As already indicated, these megacorporate organizations have essentially economic and financial goals rather than moralistic goals. Consequently, corporate business decision making involves the selection of the most effective action plans to accomplish goals such as low-cost productivity and increased earnings. The rational concern, then, that permeates mega-industrial and mega-service organizations is to meet the respective organizational goals for profitable production of goods and services.



One contemporary prototype of rational business organization is the largest worldwide industrial, General Motors Corporation, whose overriding organizational goal as stated in its 1988 Annual Report is "to compete profitably and maintain its world leadership position."³⁰ Also indicated in the General Motors Report is its current operational or secondary goal, "to become North America's lost-cost domestic automobile producer."³¹ Other evidence of GM's rational goal-directedness can be found in its formulation of long-term objectives for the 1980s that directed corporate strategic decision planning to achieve objectives such as (a) improved product quality, (b) reduced costs, (c) modernized plants and facilities, (d) technological leadership, and (e) more effective relationship with employees.³² Results of goal achievement are reflected in GM's increased earnings record, which reached a historic high in 1988 with \$4,856.3 million in earnings.³³ Daily operation objectives such as cost reductions and new product marketability were key factors in GM's record earnings for 1988.³⁴ In the annual "Message to Stockholders," GM's top executive officers praise the ongoing pursuit of corporate objectives of profit growth and product leadership:

We are very pleased with GM's performance in 1988 as our efforts to achieve a strong, consistent pattern of profitable growth continued to take hold. Sales and revenues reached a record \$110.2 billion, and GM

earned a record \$4.9 billion, up 37 percent from 1987. . . . GM is well positioned to achieve its ultimate objective of strong profitability today and industry leadership into the 21st Century.³⁵

As leaders of a rational business organization, corporate executives strive to steer the corporation effectively toward its economic and financial goals.

Significantly enough, the GM Report consists almost entirely of corporate goal reporting and financial operating statements, all of which indicate that the corporation's concerns are materialistic rather than moralistic. General Motors undoubtedly epitomizes Ladd's understanding of rational formal organization with its peculiar mark of goal-directedness that is verbalized in clearly stated objectives and action plans that, in the case of business enterprise, aim at efficient economic production and increased financial profitability. It is quite evident from the GM literature that a formal business organization is concerned, first and foremost, with economic and financial matters, and not with morality or moral pursuits. The achievement of economic and financial goals has become, as it were, the rational responsibility of the corporate entity and its leaders. Thus, we find that goal-directed decision planning and operational implementation are praised as responsible actions in the accomplishment of organizational objectives.

It is a noteworthy fact that corporate business purposes are permitted and even underwritten by law in our capitalistic democracy because business organizations provide the society with material goods and services, jobs, and financial wealth. Corporate business organizations have a vital functional role as productive instruments in a capitalist economy. As a consequence, the purposive ends of a business corporation become the corporation's obligations, which translate into organizational goals to be achieved. Now, to reiterate, these goals are essentially economic and materialistic, and not moralistic or in pursuit of virtue as such. It cannot be expected that business corporations pursue anything but established organizational goals and that corporate decision action be anything else than relevant to prescribed corporate goals. Ladd even goes as far as to say that it cannot be expected that corporations as rational organizations will act according to moral principles:

. . . For logical reasons it is improper to expect organizational conduct to conform to the ordinary principles of morality. We cannot and must not expect formal organizations, or their representatives acting in their official capacities, to be honest, courageous, considerate, sympathetic, or to have any kind of moral integrity. Such concepts are not in the vocabulary, so to speak, of the organizational language-game. Actions that are wrong by ordinary moral standards are not so for organizations; indeed, they may often be required. Secrecy, espionage and deception do not make organizational action wrong; rather they are right, proper and, indeed, rational,

if they serve the objectives of the organization. . . . From the point of view of organizational decision-making they are "ethically neutral."³⁶

Ladd's appraisal of formal organizations portrays them as goal-effective to the point that even immoral means would be used to achieve organizational ends. The implication for business corporations is that they would resort to immoral decision action in order to accomplish the organization's economic and financial goals. Now, according to moral philosophical thinking, the end does not always justify the means. Nevertheless, formal business organizations do not operate on such a premise because their staunch goal-directedness promotes the notion that the end or organizational goal must determine the strategic means to achieve the desired organizational goal. In other words, organizational goals practically always justify the means; for according to the rationality framework of formal organizational behavior, rational organizations always select the pertinent alternative means that lead to the accomplishment of stated organizational goals.

In his discussion of formal organizations as rationally goal-oriented entities, Ladd addresses the matter of factual limiting conditions that a formal organization and its decision makers must consider in strategic decision planning and selection of means to achieve organizational goals. These factual and empirical

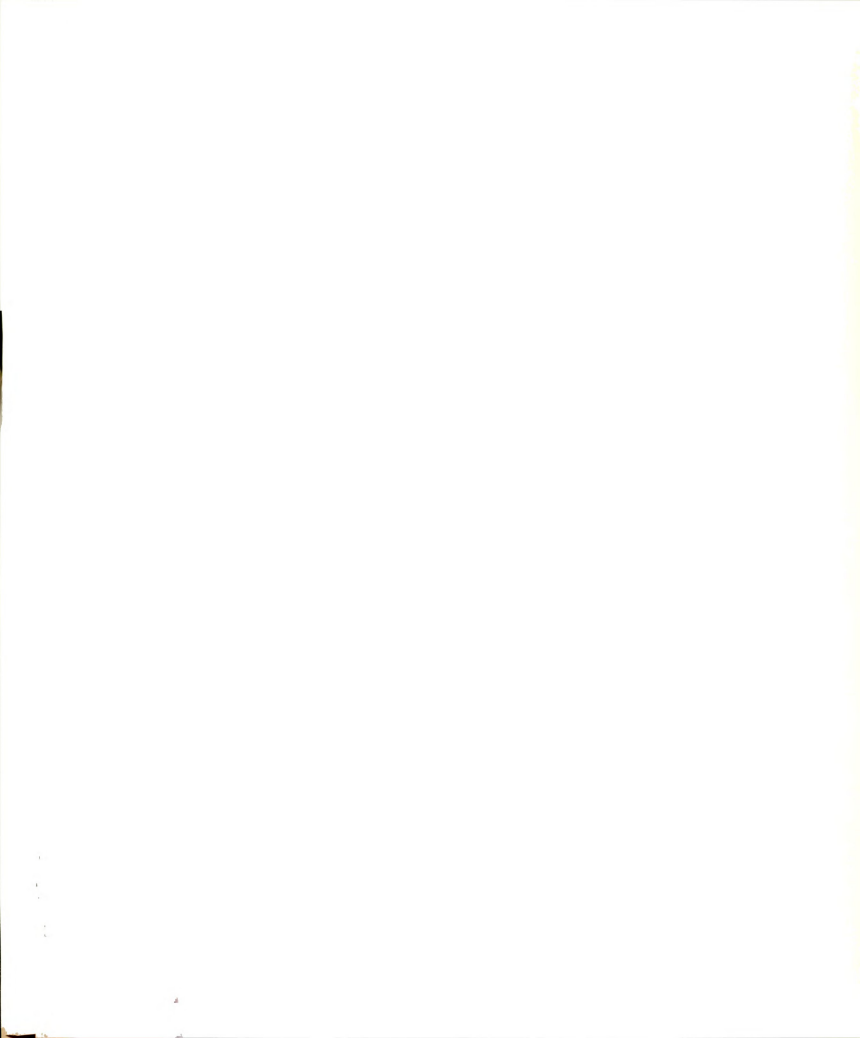


conditions affect an organization by setting limits on its operating activities. Ladd refers to these conditions as "limiting operating conditions" and identifies some of them as the following: scarcity of resources, equipment, and trained personnel; legal restrictions and government regulation; local citizenry or communities; and employee morale.³⁷ If, for example, an industrial corporation such as General Motors should experience shortages in supplies of certain material resources, it would have to consider the condition as informational data in the decision-making process to either modify current production strategies or select alternative strategic means to achieve the corporation's economic and financial goals. The factual condition of a scarce material resource, which is relevant to the corporation's operating strategies, immediately influences the corporate decision-making processes to evaluate the contingency and to determine appropriate action for the continued accomplishment of the organization's goals of profitable productivity. The limiting operating condition of a scarce material resource does not effect a change in the corporation's economic and financial goals; it does, however, cause the corporation to alter its strategic operating activities in the accomplishment of the organization's purposive goals.



Ladd leads us, at first, to think that it is possible for moral issues to be introduced into corporate decision making as limiting operating conditions, but then he retracts his intuition with the unlikelihood of that occurring because morality per se is not an organizational goal; there could be no relevant moral limiting operating condition that would affect the decision-making process to modify the corporation's nonmoral strategic activities.³⁸ Furthermore, morality and morals are abstract notions, and corporate business organizations deal with factual or empirical data pertinent to materialistic matters of economic productivity and financial profit. In order for a moral issue to influence corporate decision processes, it would have to be presented as a factual and empirical condition or limiting operating condition such as a government regulation or a corporate statutory law.³⁹ Therefore, we cannot expect an industrial organization to cease polluting the atmosphere or to discontinue the manufacture of harmful weapons simply on moral grounds. Ladd assures us that:

. . . The only way to make the rights and interests of individuals or of the people logically relevant to organizational decision-making is to convert them into pressures of one sort or another, e.g. to bring the pressure of the law or of public opinion to bear on the organizations. Such pressures would then be introduced into the rational decision-making as limiting operating conditions.⁴⁰



Ladd concludes that formal organizations, and large business corporations specifically, have no overriding moralistic character or purpose to direct their activities. They generally are not moral-principled, nor are they concerned with morality or morals as such. Their responsibilities lie in the achievement of organizational goals which, in the case of business corporations, are essentially of a nonmoral nature, such as economic productivity and/or monetary profit. Ladd challenges the moral person view with his demonstration that formal organizations, and business corporations specifically, are not moral persons as understood by individual human morality. The responsibilities that business corporations have as formal organizations pertain to the achievement of production and profit goals, which are of economics and finance, and not of morality or moral pursuit. Ladd summarizes his conclusion as follows:

. . . Formal organizations are not moral persons, and have no moral responsibilities, they have no moral rights. In particular, they have no moral right to freedom or autonomy. There can be nothing wrong in exercising coercion against a formal organization as there would be in exercising it against an individual. Hence, the other side of the coin is that it would be irrational for us, as moral persons, to feel any moral scruples about what we do to organizations. (We should constantly bear in mind that the officials themselves, as individuals, must still be treated as moral persons with rights and responsibilities attached to them as individuals.)⁴¹

In the summation of his argument that corporate formal organizations are not moral persons, Ladd

inadvertently hints at a twofold perspective of responsibility that abides in corporate settings: the legal organization's responsibility for achieving its purposive ends and the corporate decision makers' moral responsibility for their actions. It is toward a compatible, two-dimensional notion of corporate responsibility that the present work aims to direct further discussion on contemporary corporate responsibility.

As was earlier noted, the philosopher Velasquez touches upon the dual aspect of responsibility in corporate settings, but without suggesting any working hypothesis to continue the discussion of this notion of corporate responsibility. Donaldson, likewise, touches upon the legal dimension of corporations as well as the human leadership aspect, but without combining the two understandings for a fuller conceptualization of contemporary corporate responsibility. These philosophers tend to look at a corporation as either a moral person or not a moral person, or some kind of moral agent, or as merely an economic organization. However, Velasquez comes the closest to acknowledging, although tacitly, the dual responsibility found in corporate settings. First, the corporation as a legal entity is causally responsible for its untoward activities or actions; second, the human



corporate members are morally responsible for their untoward acts or omissions done on behalf of the corporation. This two-dimensional notion of contemporary corporate responsibility will be proposed by this work as a viable alternative conceptualization to the corporate moral person notion.

As we have seen in this chapter, the challengers to French's moral person view very effectively disprove that corporations are intentional moral persons that can be held morally responsible for untoward acts.

In the following chapter, the moral projectionists--quasi-challengers to the moral person view--are surveyed for their ideas on how the large corporation can be morally responsible for its actions without the prerequisite of moral personhood.



Notes--Chapter IV

¹Thomas Donaldson, Corporations and Morality (Englewood Cliffs, N.J.: Prentice-Hall, 1982), p. 20.

²Ibid., pp. 20-21.

³Ibid., pp. 21-22.

⁴Ibid., p. 32.

⁵Ibid., p. 23.

⁶Ibid., p. 30.

⁷Ibid., p. 31.

⁸Mark Green, "The Case for Corporate Democracy," in Business and Society (Englewood Cliffs, N.J.: Prentice-Hall, 1985), pp. 27-28.

⁹Manuel G. Velasquez, S.J., "Why Corporations Are Not Morally Responsible for Anything They Do," Business and Professional Ethics Journal 2 (Spring 1983): 6.

¹⁰Ibid., pp. 3-4.

¹¹Henry Campbell Black, Black's Law Dictionary, 5th ed. (St. Paul, Minn.: West Publishing, 1979), pp. 34, 889.

¹²Velasquez, "Why Corporations Are Not Morally Responsible," p. 4.

¹³Ibid., p. 6.

¹⁴Ibid., p. 7.

¹⁵Ibid., p. 8.

¹⁶Ibid., p. 9.

¹⁷Ibid.

¹⁸Ibid., p. 10.

¹⁹Ibid., pp. 4-5.



²⁰Ibid., p. 5.

²¹Ibid., pp. 10-11.

²²Ibid., pp. 12-13.

²³Ibid., p. 13.

²⁴Ibid., p. 15.

²⁵Ibid.

²⁶Ibid.

²⁷John Ladd, "Morality and the Idea of Rationality in Formal Organizations," The Monist 54 (October 1970); reprinted by permission of the author and The Monist in Business Ethics: Corporate Values and Society, ed. Snoeyenbos, Almeder, and Humber (New York: Prometheus Books, 1983), p. 48.

²⁸Ibid., p. 50.

²⁹Ibid., pp. 51-52.

³⁰General Motors 1988 Annual Report (Detroit, Mich.: General Motors Corporation, 1988), p. 5.

³¹Ibid.

³²Ibid.

³³Ibid., p. 17.

³⁴Ibid.

³⁵Ibid., p. 2.

³⁶Ladd, "Morality in Formal Organizations," p. 53.

³⁷Ibid., p. 52.

³⁸Ibid.

³⁹Ibid., p. 53.

⁴⁰Ibid., p. 57.

⁴¹Ibid.

CHAPTER V

QUASI-CHALLENGERS--THE MORAL PROJECTIONISTS

Thus far, French's moral person argument with its affirmation of corporate moral responsibility has been found faulty by major opponents, particularly in its insistence that the corporate entity is an intentional moral person because of the corporation's internal decision structure. In brief, the challengers argue that since the corporate collective has neither a mind to formulate intentions nor a body to actualize intentions, the corporation cannot qualify as an individual moral person. Furthermore, the corporation's rules, policies, and decision strategies are designed and implemented by the corporation's human members. Thus, the corporate entity cannot think or act in and of itself, but only through its human members who deliberate and act intentionally on behalf of the corporate entity. Human members of the corporate collective comprise the moral dimension of corporate enterprise, and ultimately of corporate responsibility. French's challengers overall conclude that the corporate entity itself cannot validly be held morally responsible for its untoward acts. The

corporate veil has to be pierced; that is, moral responsibility for wrongdoing has to be ascribed to the human members whose intentional decision action or inaction brought about the wrongdoing. The corporate entity can at most be held legally responsible for corporate wrongdoing. Corporate members can also be held legally responsible for corporate wrongdoing if they are found responsibly related to the violation of statutory law. (This point will be discussed further in Chapter VII.) Even Donaldson, who discusses a metaphysical social contract for business, realizes that moral responsibility ultimately rests with the corporation's human members, particularly the corporation's executive decision makers.¹ He suggests that internal, autonomous, moral control as exercised by corporate decision members is preferred to external, coercive government control.

We now turn our inquiry to the quasi-challengers of French's moral person view, the moral projectionists, who, while they do not argue from the premise of corporate moral personhood, expect the corporation to engage in moral deliberation by considering moral concerns in decision making, and to take moral responsibility for consequences of corporate action. Moral projectionists may not support French's notion that the corporation is a moral person, a metaphysical intentional agent; but yet they aim "to help corporations inform their decisions with



moral concerns" by application of moral criteria of individual behavior to corporate decision making.² Moral projectionists readily acknowledge that the large business corporation is a legally chartered entity which is organized for economic and financial purposes of production and profit. More important, they seek to rectify corporate decision making that can and does cause offense and harm to individual human persons, as well as other groups. Moral projectionists promote the development of conscience at the corporate organizational level. As a consequence, they base their argument on the notion of conscience and individual moral behavior, whereby these understandings are applied to corporate decision making to effect moral deliberation on alternative decision actions and their outcomes. The exponents of moral projection are discussed in the following section.

5.1 Exponents of Moral Projection

There are certain scholarly thinkers on the subject of corporate responsibility who do not outrightly disagree with French's line of argument for moral personhood and responsibility of the corporate entity, but neither do they explicitly concur with French's conclusion that the corporation is a moral person. They seem to sidestep the problems involved in rendering the corporate organization



the same metaphysical or intentional status as the individual human person. Instead, these thinkers on corporate responsibility examine closely what is understood by individual intentional moral action and responsibility, and then project this understanding onto the corporation so as to provide guidelines for corporate moral decision making.³ Hence, the term "moral projection" is used to describe this sort of approach to the meaning of responsibility in corporate organizations. Moral projection provides a standard of moral expectation for responsible corporate decision action. Corporate groups are expected to engage in moral reasoning when deliberating upon alternative corporate action plans. In effect, then, moral projectionists promote the use of moral criteria in corporate decision making, similar to that used by individual human persons in moral deliberation on responsible human behavior. Exponents of moral projection make an attempt to superimpose morality on corporate decision making so as to effect corporate moral responsibility. Their focus is on getting the corporate entity to be morally responsible for its activities.

The major exponents of moral projection are Kenneth E. Goodpaster and John B. Matthews, Jr., professors at Harvard Business School, and Christopher D.

Stone, professor of law at the University of Southern California. Their ideas of moral projection are examined so as to determine whether and how moral responsibility can be brought to bear on corporate organizational activity.

In the next section, Goodpaster and Matthews's moral projection criteria of rationality and respect are examined closely, followed by a section on Stone's version of moral projection.

5.2 Goodpaster and Matthews on Moral Rationality and Respect

In their attempt to define the concept of corporate responsibility, Goodpaster and Matthews look closely at what is generally understood by moral responsibility in terms of individual human action and intention, and then project this knowledge onto the corporate collective decision process. Our projectionists propose, in effect, to apply the criteria of individual moral responsibility to the corporate decision-making process to ensure corporate moral decision action and responsibility. This principle of projection offers an explanation as to how the corporation could have a conscience and act responsibly in its decision planning for corporate activities.

Initially, the projectionist approach to corporate responsibility asserts an analogy between the individual



person and the corporation, and that the concept of moral responsibility as it applies to human individuals can be projected onto the corporation as an agent of society.⁴ Goodpaster and Matthews believe that for practical social purposes the corporate organization should be expected to act morally. They hold that:

A corporation can and should have a conscience. . . . Organizational agents such as corporations should be no more and no less morally responsible . . . than ordinary persons.⁵

Now, concerning the responsibility of individuals, our projectionists point out three comprehensions: (a) causal responsibility, (b) rule following, and (c) moral responsibility.⁶ First, causal responsibility means that one is to blame for causing or bringing about an action or event. The second meaning of individual responsibility refers to the social expectation of rule-following and normative behavior. Third, and most important, individual responsibility refers to moral decision making, which entails consideration of the effects of one's acts on the well-being of other persons. All three notions are usually involved in individual, morally responsible action.

Goodpaster and Matthews elaborate on what they consider the two underlying characteristics of individual moral responsibility: the qualities of rationality and respect.⁷ Moral behavior first entails rational decision

making that considers possible alternatives and outcomes, purposes and means of accomplishment. The second quality that permeates morally responsible individual behavior is respect, which involves a conscious awareness of and concern for the effects of one's actions on others, as to whether the actions or inactions would help or harm them. Our projectionists emphasize the importance of the quality of moral respect by equating this attitude with Hume's concept of sympathetic moral judgment, and with Kant's categorical imperative of mutual moral respect.⁸ Obviously, the quality of respect is essential to the reasoning processes of a morally responsible person. Nevertheless, both qualities of rationality and respect are necessary components of human moral responsibility, according to our projectionists.

It is precisely these two qualities of individual moral responsibility that our professors want to project onto the business corporation as criteria or frameworks of reasoning for the morally responsible corporation. They argue that it is meaningful and even advisable to apply such concepts of individual morality to the business corporate entity.⁹ Since the corporation is an organized group of persons that functions as a legal group entity, and has an internal decision structure with rules and policies to determine its group action, it makes sense

to expect some moral reasoning from the corporate organization. Furthermore, since the invisible hand of the market and the visible hand of government fail to adequately provide moral restraint, it is advisable to project moral responsibility criteria onto the corporate decision-making process. Even though Goodpaster and Matthews promote the idea of a corporate conscience as based on the principle of moral projection, they readily admit its wide unacceptability. They tell us:

Although the principle of moral projection, which underwrites the idea of a corporate conscience and patterns it on the thought and feeling processes of the person, is in our view compelling, we must acknowledge that it is neither part of the received wisdom, nor is its advisability beyond question or objection. Indeed, attributing the role of conscience to the corporation seems to carry with it new and disturbing implications for our usual ways of thinking about ethics and business.¹⁰

Nevertheless, the moral projection principle as a frame of reference for discussion on corporate responsibility has merit in that it encourages, if not demands, that the corporation's decision processes include moral deliberation and concern for the effects of corporate action on the lives of other members of society.

Several years before Goodpaster and Matthews's 1982 writing of "Can a Corporation Have a Conscience," in which they elaborate on the principle of moral projection, Goodpaster himself presented a paper at Bentley College's Second National Conference on Business Ethics, entitled



"Morality and Organizations." In that 1977 presentation, Goodpaster expounded on the need for traditional ethics to shift individual moral notions onto corporate decision makers, so that the kind of moral responsibility exacted from the individual could also be expected from the corporate group.¹¹ The justification that Goodpaster offers for the moral accommodation stems from society's concern about the powerfully pervasive influence of corporate activities and the large-scale technological, and oftentimes harmful, effect on society and the environment. Thus, Goodpaster advocates projecting, i.e., imposing, moral norms of individual behavior on corporate collective behavior.

In his presentation, Goodpaster discusses John Ladd's challenge to the intelligibility of corporate moral responsibility and projection of individual morality to corporate behavior.¹² For Ladd, it is absurd to expect the business corporation to be moral or conform to moral principles, since the corporation is merely an organizational machine with organizational goals, and its decision makers consider merely organizational goals in their decision planning. Organizational decision making is entirely different from moral decision making. Ladd asserts that moral standards of behavior for individuals are separate from corporate standards of behavior, and that individual rational agency is different in kind from



organizational rational agency. Thus, individual rational agency is concerned with moral responsibility, whereas organizational rational agency is concerned with efficient goal-fulfilling responsibility.

In the face of Ladd's challenge, Goodpaster nevertheless claims that separateness between organizational rationality and moral responsibility is exaggerated, and he may very well be correct. According to Goodpaster, Ladd demonstrates a narrow, restricted notion of organizational rationality that is closed to the possibility that organizational goals could include both economic and moral concerns.¹³ Ladd's line of argument creates a conceptual incompatibility between the ideal of rationality in formal organizations and the ideal of moral responsibility in decision making. Goodpaster, on the other hand, holds that organizational rationality and morality need not be mutually exclusive or in conflict.¹⁴ He suggests that an accommodation of moral projection be made in corporate decision-making processes, whereby moral notions become integral criteria for responsible corporate action. In conclusion, Goodpaster moves for a new task for ethics, that of moral projection and the application of moral notions of virtue and responsibility to the corporate setting.



As a way of introducing Christopher D. Stone's version of moral projection, it must be mentioned that in the presentation at the 1977 Business Ethics Conference, Goodpaster refers to Stone's understanding of corporate responsibility as derived from the projection of human moral responsibility criteria to the corporation. The next section examines Stone's ideas on the meaning of corporate responsibility.

5.3 Stone on Rule-Following and Cognitive Processes

Several years before Goodpaster and Matthews advanced their idea of moral projection for corporate responsibility, Christopher D. Stone published his classic work, Where the Law Ends, in which he develops the notion of corporate responsibility from an understanding of individual moral responsibility as applied to corporate group decision action. He is brought to this endeavor by the ambiguity that surrounds the concept of corporate responsibility, as well as the need for a clearer discernment of the meaning of responsibility in corporate organizations.

Initially Stone proposes an examination of what is meant by "being responsible" in terms of general social expectations of ordinary human behavior. Only from understanding the elements of human responsibility can a notion of corporate responsibility be developed.¹⁵ A

parallel is established between human responsibility and corporate behavior in order to discover a plausible notion of corporate responsibility.

Stone begins with the observation that there are two distinct connotations of the term responsibility that are employed in ascriptions of human responsibility.¹⁶ The first comprehension of responsibility pertains to rule-following or obedience to law and authoritative precepts, whereas the second comprehension of responsibility refers to one's use of cognitive processes of reflection, deliberation, and justification of decision action. Thus, the two comprehensions of human responsibility can be described, respectively, as legal responsibility and autonomous moral responsibility. Now, the legal aspect of human responsibility is based on society's rules and precepts, and usually enforced by threat of tangible punishment and/or fine. The moral aspect of human responsibility, on the other hand, is based on a sense of goodness and justice, and enforced by conscience and at times by other human beings in interpersonal relations. Both kinds of responsibility are expected of human beings, yet the latter of cognitive processes is the mature type of responsibility that is greatly valued because it fosters virtuous behavior far beyond what the law can command.¹⁷ Stone gives detailed aspects of the cognitive processes of moral responsibility.¹⁸



To begin with, the responsible person has control of his temper; he can repress his desires, impulses, and rage. Then, a first step toward responsible behavior involves perception of one's moral environment, that is, other persons as well as other creatures, and the appropriate treatment and concern for them. A responsible person is fully aware of his freedom and knows that he is accountable for the consequences of his actions or inactions. Reflection and deliberation on alternative choices of action are imperative to a rationally moral person. Further yet, rational reflection and deliberation must be conducted with attitudinal moral qualities such as goodness and justice. Last but not least, a cognitively responsible person has justifiable moral reasons for his behavior in terms of such moral directives as the Judeo-Christian precept of "Love God and love your neighbor," the Golden Rule, and Kant's Categorical Imperative.

Now, most of the cognitive moral virtues cited above cannot be explicitly legislated as directives for proper behavior mainly because the usual format for laws forbids wrong acts with "Thou shall not . . ." statements and the like. Consequently, laws that stipulate the practice of virtue are practically nonexistent. Thus, it is observed that a mature person not only obeys laws, but, more important, exercises his cognitive processes for reflective moral decision making.



From what Stone learns of human responsibility with its dual aspects of legal responsibility to obey laws and moral responsibility to exercise cognitive processes, he forms his notion of corporate responsibility, namely, that corporate responsibility has both legal and moral aspects.¹⁹ The formal corporate organization must obey laws as well as exercise cognitive moral processes in corporate decision making. Mere obedience to law does not make for a mature, responsible corporation. Besides, the law cannot command complete virtuous and proper social behavior. As Stone warns throughout his work, the law is inadequate to fully control the untoward behavior of corporate organizations. He cites several limitations that are inherent in the making and implementing of law as regards the regulation of large business corporations.

To begin with, since lawmakers usually are not experts in an industry's products or operations, they refer to the industry's research specialists, data, standards, and other pertinent information, thereby allowing corporations to participate in making the laws that will regulate and control their behavior.²⁰ Corporations also engage in legislative public opinion sessions that influence the content of law.²¹ Lawmakers have difficulty in balancing various opinions, interests, and values in the formation of passable law.²² It is also

difficult to frame laws that will be effective in reaching the guilty and responsible parties; thus, laws tend to be vague and have broad interpretation.²³ Furthermore, there exists a distinction between morality as duty and morality as aspiration. Duties stated as "Thou shall not . . ." for minimum standards of conduct are more feasible to enforce than aspirations of "Thou shall or ought to . . ." do good or justice.²⁴ Aspirations are more difficult to write into law and communicate to corporations than the minimum standards, which are already tough to enforce.

Regarding the implementation of law, Stone tells us that when dealing with large corporations there is difficulty in locating responsible parties, and the costs of enforcing law are greater than the benefits.²⁵ Ironically, the government agencies that are created to regulate business and industry end up protecting business corporations instead of the public, mainly because agencies have inconsistent policies and are subject to influence peddling.²⁶ If the law and government agencies were effective control mechanisms for corporate behavior, there would be no need to discuss and theorize on notions of corporate responsibility.

Stone asserts that the traditional control forces of law and the market can no longer keep the megacorporations within desirable social bounds.²⁷ The marketplace control, like the law, has become inadequate to curtail

the pervasive power and influence of large corporate organizations. For example, the resource-allocation function of the market assumes the existence of some negotiating interface between a corporation and a person dissatisfied with it; that is, it assumes a union or group, not a powerless individual.²⁸ The fact of the matter is that there are many, many individuals in the marketplace who must cope, although awkwardly, with bigness and impersonal treatment. Stone informs us that corporations have a strong tendency to protect their established interests from environmental influences of the market and the law.²⁹ In conclusion, our legal theorist affirms the shortcomings of external controls such as the market and the law, which cannot make the large corporation a moral entity. Only the corporate organization itself can control its own behavior. Only the corporation itself can ideally exercise both legal and moral responsibility, if it opts to do so in its corporate decision-making processes.

Although Stone never uses the term moral projection for his approach to understanding corporate responsibility, he does, however, look first to what responsibility means for the ordinary human person before he frames a notion of what responsibility might mean for the corporation. From what he observes of mature human

responsibility with its two dimensions of rule-following and cognitive processes, Stone then develops the same two-dimensional notion for corporate responsibility. As cognitive processes are essential to mature, moral human behavior, so too are the cognitive processes essential to mature, moral corporate behavior. Stone parallels the main elements of human cognitive processes--perception, deliberation, and justification according to moral principles--with the corporate organization's counterparts of information gathering, analysis of consequences of various alternatives, and rationale for decision actions, all executed according to moral principles.³⁰ Thus, Stone affirms the necessary inclusion of moral cognitive processes in the notion of corporate responsibility.

5.4 Summary of Moral Projection Views

As we have seen, the moral projectionists Goodpaster, Matthews, and Stone derive their notions of corporate responsibility from the area of individual ethics and moral responsibility. The content of their principles of corporate responsibility is taken from the principles of individual moral behavior and then set up as a model that is applied to the corporate organization. The moral criterion of individual responsibility becomes the framework of moral expectation for responsible corporate behavior.

Now, Goodpaster and Matthews point to major criteria of individual responsibility as "rationality" and "respect," which they designate as essential components of corporate moral responsibility. Conversely, Stone's interpretation of human responsibility consists of two distinct connotations: (a) rule-following or obedience to law, and (b) cognitive processes of moral deliberation and justification of actions. These moral principles are then projected as an accommodation to the level of corporate organization to provide essential moral criteria for corporate responsibility.

From an examination of the conceptual content of each projected set of dual moral principles, we find similarities between the two notions of corporate responsibility. Theoretically, Goodpaster/Matthews's "rationality" factor can be matched with Stone's rule-following emphasis because both involve corporate rational decision making with consideration of organizational purposes, goals, and alternatives according to corporate rules, policies, and government regulations. The Goodpaster/Matthews "respect" component of corporate responsibility can be matched with Stone's "cognitive processes" in that both require autonomous, moral perception and deliberation of concern for others and alternative consequences of decision action. Aside from any validity to this interpreted congruence, it is

concluded that the moral projectionists, Goodpaster, Matthews, and Stone, are accurate, if not justified, in looking to notions of ordinary human responsibility to derive the kind of moral responsibility criteria that would comprise a plausible notion of expected responsibility from the pervasively powerful business corporation.

The moral projection approach to corporate responsibility moves toward corporate self-regulation and autonomous moral responsibility, while it affirms the inadequacy of both external controls of law and the marketplace. There is no evidence to suggest that the projectionists would have corporate moral responsibility replace or undermine the invisible hand of market and the visible foot of government. Instead, the principle of corporate responsibility would serve as a supplement to the already existing controls of law and the market. As the moral projectionists so boldly assert: "A corporation can and should have a conscience."³¹

We discover, above all, that the moral projection ideas of Goodpaster, Matthews, and Stone particularly, suggest a two-dimensional, legal-moral comprehension of corporate responsibility, the notion of which--although not of the projected type--this dissertation defends. As was indicated at the inception of this work, a plausible

comprehension of corporate responsibility is being sought, one that would correspond with the corporation's identity and manner of acting through human agents. Thus far, we have determined the identity of the corporation as a legal conglomerate collectivity, and its member decision makers as human moral persons. A defensible notion of corporate responsibility is gradually being developed to match the corporate identity and human agency. The notion will have to include a legal dimension to correspond with the corporation's legal identity, as well as a moral dimension to match the human moral aspect of corporate organization. From the examination of French's moral person view and the principle of moral projection, we find that neither approach to corporate responsibility offers a satisfactory comprehension of responsibility in corporate organizations--one that matches the dual responsibility aspects of legal collective entity and human moral agency.

The following chapter contains the discussion to refute the moral person view and the principle of moral projection.

Notes--Chapter V

¹Thomas Donaldson, Corporations and Morality (Englewood Cliffs, N.J.: Prentice-Hall, 1982), p. 209.

²Kenneth E. Goodpaster and John B. Matthews, Jr., "Can a Corporation Have a Conscience?" in Ethics in Management, ed. K. E. Goodpaster (Boston: Division of Research, Harvard Business School, 1984), p. 145.

³Ibid.

⁴Ibid., p. 146.

⁵Ibid.

⁶Ibid.

⁷Ibid., p. 147.

⁸Ibid.

⁹Ibid., p. 148.

¹⁰Ibid., p. 151.

¹¹Kenneth E. Goodpaster, "Morality and Organizations," in Ethical Issues in Business, ed. T. Donaldson and Patricia H. Werhane (Englewood Cliffs, N.J.: Prentice-Hall, 1979), p. 114.

¹²Ibid., pp. 115-16.

¹³Ibid., p. 118.

¹⁴Ibid., pp. 120-21.

¹⁵Christopher D. Stone, Where the Law Ends (New York: Harper and Row, 1975), p. 111.

¹⁶Ibid., p. 113.

¹⁷Ibid., p. 116.

¹⁸Ibid., pp. 113-15.

¹⁹Ibid., p. 115.



²⁰Ibid., p. 94.

²¹Ibid., p. 95.

²²Ibid., p. 97.

²³Ibid., pp. 99-100.

²⁴Ibid., pp. 101-102.

²⁵Ibid., pp. 103-104.

²⁶Ibid., p. 107.

²⁷Ibid., p. 87.

²⁸Ibid., p. 90.

²⁹Ibid., p. 92.

³⁰Ibid., p. 118.

³¹Goodpaster and Matthews, "Can a Corporation Have a Conscience?" p. 146.

CHAPTER VI

REFUTATION OF THE MORAL PERSON VIEW AND THE MORAL PROJECTION VIEW

Although both the moral person view and the moral projection view are well-meaning attempts to provide a conceptual framework of reference for corporate moral responsibility, the essential line of each corporate responsibility argument nevertheless emerges as skewed, if not awkward, in that the corporate entity is treated as a rational, deliberate, morally responsible agent--a description that in traditional ethics pertains to human persons exclusively. French and the projectionists may well exhibit knowledge of human individual morality with accurate understandings of virtue and appropriate criteria for moral responsibility, but they err when they apply, or rather impose, this sort of moral phenomenon onto the corporate organizational entity and impute moral agency and responsibility to the corporation.

Both French and the projectionists aim, ultimately, to assign moral responsibility ascriptions to the corporate entity itself. Yet, they differ in their reasons for assignment of moral responsibility to the

corporation. French focuses on the corporation's internal decision-making structure with its policy rules, procedures, and authoritative hierarchy. He claims that the CID Structure demonstrates corporate intentionality or moral agency, whereby the corporation can be considered a moral person that can be held morally responsible for its acts. French seems to base his claim of corporate moral person on an equivocation¹ between human intentional action and corporate intentional action, and makes an assertive leap to equate the two processes as morally responsible decision action. Thus, French imputes to corporations the same moral reasoning and moral responsibility as that of human persons. He, therefore, wrongly concludes that corporations are moral persons.

The projectionists, on the other hand, establish criteria of moral behavior for the corporate entity, derived from individual moral behavior yet without the prerequisite of moral personhood. In some vague way, they expect corporate decision making to take heed of moral criteria. The projectionists do not clearly explain how moral criteria are brought into the decision-making process, but yet they expect the corporation to be held morally responsible for its harmful acts. They ineffectively impose moral agency and responsibility on the corporate entity. Admittedly, the moral projectionists look in the right place for an



understanding of moral responsibility so as to formulate accurate moral criteria for responsible action, but they sidestep the authentic moral dimension of corporate enterprise--the corporation's human members--to erroneously project moral criteria onto the corporate organizational entity.

Goodpaster and Matthews claim that moral projection serves as an "accommodation" of moral conscience and principle to corporate group action, so as to establish a corporate level of agency and responsibility. Yet it is precisely this vague adaptation that makes moral projection an awkward approach to corporate responsibility because, while the projectionists seek to have corporations behave in a morally responsible way, they circumvent the obvious instruments of corporate moral responsibility--the corporation's human moral persons. The corporation's human members are the intentional actors who make decisions in corporate settings, and comprise the corporate moral conscience and moral dimension of corporate enterprise. This human moral dimension of corporate responsibility seems to be undermined, if not circumvented, by the projectionists.

Thus, we find that French exaggerates the corporation's intentional character by extending the human intentionality found in corporate organizations to the



corporate entity itself. French, himself, admits that he forces the corporation to take what could be called a suicidal "leap" into the moral community. The projectionists, on the other hand, mistakenly transfer the criteria of individual morality onto the corporate entity, rather than continue the moral expectation from the corporation's human decision members. Both these views demonstrate erroneous notions of moral responsibility as it exists in corporate settings. Only human persons can have moral conscience or make moral decisions and be held morally responsible for their actions.

French and the projectionists likewise err when they underestimate corporate legal responsibility, which represents a large part of corporate accountability that includes compliance with the law generally, and specifically corporate law as well as state and federal regulations. The corporation as a collective legal entity has definite legal responsibility. In fact, the best proof of the corporate collective's responsibility has to do with fulfilling all legal obligations and complying with society's laws. Since the corporation is a collective legal entity with no intentional faculties or cognitive processes of its own, and thus not a moral person, we cannot expect more than legal responsibility from the corporate entity. However, the corporation's human members, who formulate corporate policy and make



decisions for corporate operations, comprise the moral dimension of corporate enterprise because they are morally responsible human persons. Here again I unfold the two-dimensional comprehension of corporate responsibility that comprises both legal collective conformity and individual moral processes. Any discussion on the accountability of contemporary corporate organizations has to address the dual aspect of responsibility in corporate settings that stems from the corporate collective entity with legal responsibility, and from the human corporate members who are moral persons with moral conscience and responsibility.

Richard DeGeorge, who has written extensively on corporate collective responsibility, informs us that "corporations are not moral agents with feelings, emotions, or conscience as natural persons are."² Instead, corporations are legal or juristic persons with legal responsibility; they can be sued, fined, forced to make reparation, to compensate, to desist from activities or undertake others, and so on. DeGeorge observes that at times humans make moral judgments about the untoward actions of corporations because people want corporations to be punished for wrongdoing and to compensate those who were wronged or injured, particularly when outsiders cannot ascribe blame to any one or other corporate

member.³ In these situations, the law and corporate legal responsibility are looked to for desired justice and compensation. If, however, certain corporate members can be found responsible for the untoward corporate decision action, then moral responsibility can be ascribed to the human moral persons for their intentional action on behalf of the corporation. They may also face legal charges and punishment if the action was in violation of federal or state laws. DeGeorge assures us that the corporate entity itself is neither a moral person nor intentional. The corporation can act only through the intentional decision making of its human individual members--the moral dimension of corporate organization.⁴ Thus, we find that DeGeorge touches on the two-dimensional conceptualization of corporate responsibility--the corporate legal entity and the individual human members who make corporate decisions constitute the responsibility dimensions in corporate collectives. In fact, when DeGeorge presents his five ways of assigning responsibility in corporate collectives, he uses the dual notion of corporate responsibility in that he distinguishes between the responsibility of the corporate entity and the responsibility of individual corporate members.⁵ The corporation itself can be assigned legal/compensatory or causal responsibility for an untoward corporate occurrence, and the corporation's members who make

decisions for the corporate entity can be assigned legal/compensatory and/or moral responsibility. DeGeorge indicates that his understanding of responsibility in collective settings is derived from the practice of law, which assigns responsibility for wrongdoing to either or both the corporate entity and the corporate members, depending on the particular case of wrongdoing and the best way to punish and compensate.⁶ The most significant contribution of DeGeorge to the understanding of corporate responsibility is his affirmation that the corporation is a legal entity with legal responsibility and not a moral person and that the corporation's human decision makers provide the moral dimension of corporate responsibility.⁷ While DeGeorge's ideas are important in countering French and the projectionists, they are even more valuable in pointing the way to a two-dimensional conceptualization of corporate responsibility.

Refutation of the moral person view and the moral projection view will be continued in the following section.

6.1 Refutation of French's Moral Person View

As a revisionist and critic of moral reductionism, French assumes the precarious burden of proof to demonstrate that the large business corporation is a moral person that can be held morally responsible for its

actions. He begins by describing at length the significant elements of a moral ascription, namely, the identity of the cause of the wrongful act and the intentional action of the cause or subject of the moral ascription. Admittedly, both elements are essential to a moral ascription, but it is imperative that intentionality be first established so as to justly assign moral responsibility to the subject. Intentionality, for French, indicates that the subject can intend its actions; that is, it can act with deliberation and purpose. The element of intentionality has traditionally been attributed only to a human person, whereby he is said to be intentional and/or able to perform acts intentionally. Thus, in the individualist or reductionist framework of moral reasoning, only individual human beings can qualify as intentional, moral agents and hold membership in the moral community. Consequently, the issue of intentionality and how it can be had by the large corporation constitute a stumbling block for French's moral person argument. Central to the argument for moral personhood of the corporation would be proof that the corporate entity itself can act intentionally, and thereby be held morally responsible for its actions.

From the analysis of French's argument for corporate moral personhood in Chapter III, we learn that he adheres

to the Lockean understanding of personhood in which an intentional agent is also considered a morally accountable agent. So if French can demonstrate that the corporate entity is an intentional agent, he can also declare it a morally accountable person. Yet, by his adherence to the Lockean notion of moral person, French immediately sidesteps the demonstration of proof required by the traditional notion of moral accountability, which exacts not only an intentional agent but also intentional action carried out with bodily movements. Even though French's task seems diminished, he must still provide convincing evidence that the corporate entity itself can qualify as an intentional actor; i.e., it can make deliberate and purposive decisions.

To begin with, French describes the large corporation as a conglomerate collectivity with an identity all its own, separate from its membership, which can change without affecting the identity of the corporate collective entity. The conglomerate collectivity has legal status as a juristic entity that is subject to law with rights and responsibilities. As a social organization of coordinated human members, the corporate collective entity has internal decision mechanisms that function to achieve its socioeconomic and financial purpose goals. At this point, French uses the concept of conglomerate collective entity to establish a single, constant identity basis for moral



personhood of the corporation. His next and crucial step involves the demonstration of the corporate collective's intentionality. French has to provide evidence that the collective entity is an intentional agent. He must show that the corporate entity itself acts with purpose and brings about acts intentionally. To satisfy traditional moralists, French would have to show that the corporate entity is capable of performing intentional actions. As previously indicated, French disregards the traditional notion of moral person and merely searches out collective intentional agency.

From his study of corporate collectives, French discovers that each corporation has purposive reasons for its particular operation and that these rational goals are generally expressed in corporate policies. He also observes in corporations a hierarchical process of decision making in accordance with corporate policy rules. Thus, each corporation has its own internal decision framework that reflects its purposive policy reasons for which the organization performs its tasks. French refers to these decision-framing elements of authoritative hierarchy and procedural rules and policies as the corporate internal decision structure or CID Structure. This internal decision structure represents, for French, the intentional agency component that together with

corporate collective identity constitutes corporate moral personhood.

Ironically, the CID Structure, which French points to as proof of corporate intentional agency, also provides the evidence for the demise of his corporate moral person argument. To begin with, the very elements of CID Structure, policy rules, procedures, and authoritative decision control, are all traceable to decision making by human intentional persons, whether in the capacity of founders, managers, or other legitimate decision members. The intentional character of so-called "corporate reasons" derives from none other than the corporation's human intentional members. Although French never denies the intentional human decision influence in corporate structure, he presses on to say that it makes "sense" to redescribe the human intentional decision action in corporations as corporate intentional decision action.⁸ It is at this point that French goes off the deep end, so to speak, to take that "mysterious leap" to interpret the human intentional decision action as corporate intentional action, and thereby conclude that the corporation itself is an intentional moral person. At this juncture in his argument, French does some wishful thinking by declaring the corporation an intentional moral person that warrants admission to the moral community of human persons.

In a critique of French's corporate moral person view, Professor John R. Danley charges French with arbitrary use of the term intend, particularly in reference to the corporation.⁹ French wants to assign intentionality to the corporate entity, a moral character or quality that in human moral tradition is found only in human persons. French is also thought to equivocate on the meaning of intentionality, since traditional moral thinking finds human intentional action quite different from what might be attributed to a corporation.¹⁰ Danley states further that:

Whatever else we may say of them, collective entities are surely not the kinds of things capable of intending. Individuals within the corporation can intend, lust, have malice aforethought, and so forth, but the corporation cannot. Traditionalists, like myself, maintain that only persons, i.e., entities with particular physical and mental properties, can be morally responsible. Corporations lack these. For the traditionalists, to speak of corporations being responsible is simply elliptical for speaking of certain individuals within the corporation being responsible.¹¹

We find that corporations do not intend as human intentional persons intend, and thus are not intentional persons who qualify as members of the moral person community. Therefore, corporations are not moral persons and cannot be given full-fledged membership in the moral community.

Although French never denies the involvement of human moral persons in corporate decision making, his argument

for corporate moral personhood promotes the corporate entity as being capable of intentional decision action, in addition to the human individual members of the corporation. Now the most basic objection to French's corporate moral person view pertains to the idea that a corporate conglomerate collectivity such as General Motors can be said to "intend" in the same way as other members of the moral community; that is, the corporate entity has the wherewithal to deliberate, weigh alternatives, and consider criteria of moral behavior in arriving at decisions. Human persons of the moral community have been the model intentional agents subject to moral accountability. The corporate entity in no way exhibits intentional or moral abilities and in no way qualifies for admission into the moral community, as French so boldly asserts.

The organizational framework of CID Structure that French points to and interprets as the corporation's intentionality boasts human design and fabrication for the accomplishment of human purposive tasks. The coordinated efforts of intentional human persons bring about corporate action. Even modern organization theory seems to highlight the human-intensive dimension of organization practice.¹²

Corporate action consists of coordinated human action and demonstrates only human intentionality. In fact, any



morally intentional action that may occur in corporate organizations can be traced exclusively to moral persons--the human corporate members. Any intentional action that occurs in corporate organizations derives from the human corporate members who are moral persons. In some corporations, human intentional actions are more readily evident, as with General Motors and American Telephone and Telegraph. In contrast, in other corporations such as some holding companies and the like, the human intentional actions of corporate members may not be so visible, but they do occur behind what are referred to as corporate veils. Behind the corporate veils are eventually found the human persons who are also moral persons and members of the human moral community. It is precisely these human persons and only such decision members with decision power who are to be held morally accountable for their decision actions done for the corporate entity.

French misconstrues the CID Structure to the point of ethical error when he attributes to it more than just human intentional and purpose activities. He makes an unsubstantiated claim that the CID Structure displays intentions and purposes of the corporate entity itself as if the entity could "intend" of its own accord without the intervention of human intentional persons. French fails to give convincing evidence in the CID Structure of moral

intention of the corporate entity itself, similar to the kind of moral intention that other moral persons share as members in the moral community.

This work upholds the CID Structure as humanly devised, to direct, order, and control the human and material resources in the accomplishment of socioeconomic and financial activities. The corporate hierarchy was developed by human beings in order to efficiently and effectively direct human work efforts toward rational intentions of purposive goals that are determined by human decision makers. Corporate policies, rules, and procedures are also formulated by human moral persons to assure the legitimacy of organizational socioeconomic and financial purposes. The CID Structure as designed and operated by human moral persons reflects nothing more (metaphysically) than the human intentional purposes for organizational activities. Human intentional persons are the creators, directors, and managers of corporate collective entities, and they also function as the human intentionality network of decision making in the CID Structure. Only the human members of the corporation are intentional moral persons; only they can think, reflect, deliberate, and act intentionally for the corporate organizational entity, which of itself cannot intend or perform any intentional act. The corporate entity is not

intentional nor a moral person. Moral responsibility cannot be legitimately ascribed to a corporate entity.

It must be acknowledged that French seems to offer an accurate identity of the corporation as a conglomerate collectivity whose identity cannot be modified with varying membership, and whose identity is not equal to a determinate set of individuals. French also identifies the corporation as a legal collective entity with legal responsibility. Given that French cannot show convincing evidence of corporate intent, as understood by moral intent in morality of intentional persons, at best the corporation can be a juristic person--a legal entity with legal responsibility.

Even though French accurately identifies the corporation as a legal collective entity with legal status and responsibility, he erroneously wants to augment the collective's legal responsibility with moral responsibility without the relevant evidence of deliberate intentional decision making, that is, intentional action done by the entity itself with its own powers of volition.

Thus far in French's position on corporate intentionality and responsibility, the evidence indicates that intentionality in corporate organizations can be traced to only the human intentional persons, who either design, establish, manage, deliberate, weigh alternatives,

make decisions, and perform tasks of all sorts for the corporate organization.

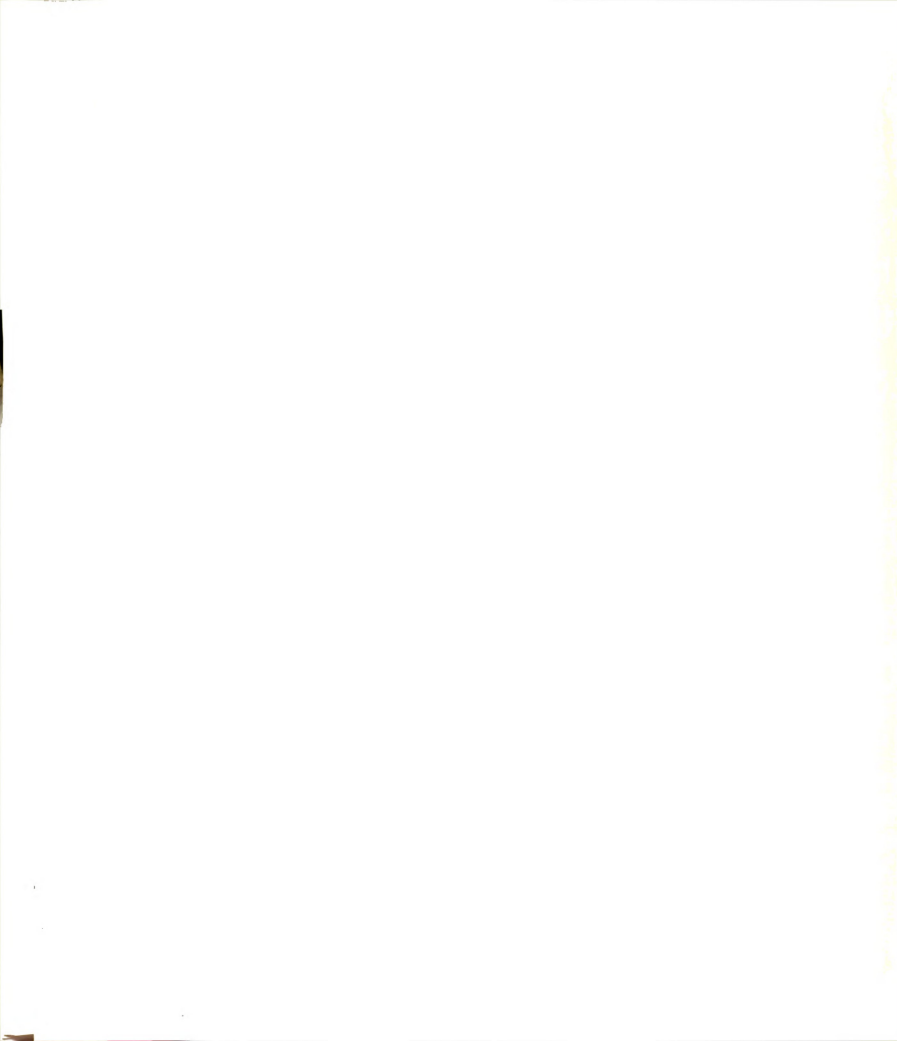
As we have seen in Chapter IV, the challengers of French's moral person view are consistent in their charge that French exaggerates the intentionality status of a corporation when he goes beyond the human intentional members. French unjustifiably expands the corporate entity's legal responsibility to the realm of metaphysical and moral accountability. He attempts a "mysterious leap" for corporate status from that of mere legal person to that of the class of moral persons with membership in the community of human moral persons. French supports his leap from the outset by arguing from a broader notion of "person," so that an entity need not be homo sapiens (a human being) in order to claim intentional action.¹³

Our challengers offer their thoughts to refute French in his adherence to the corporation as a moral person. Velasquez accuses French of treating the corporate collective as a science fiction "group mind"--something unreal and out of this world. He tells us:

Science fiction narratives, in fact, often ask us to imagine what such a collective agent would be like. In science fiction stories, for example, we are sometimes asked to imagine a situation in which bodies are gradually taken over by a single group mind. Here we are being asked to imagine a collectivity that has acquired the proper kind of unity between mind and physical instrumentality.¹⁴



Velasquez holds that to view the corporation as an intentional collectivity, one must imagine the corporate collectivity as exhibiting a unity of mind and body. Yet, from common observation, we know that the corporate collective has neither a mind nor a body of its own. Only the human corporate members have minds and bodies, and can act intentionally on behalf of the corporate collective. Furthermore, Velasquez warns of the adverse implications attendant to French's inflated notion of the corporate entity's intentionality.¹⁵ First, ascriptions of moral responsibility for corporate wrongdoing would more readily be directed toward the corporate entity, instead of the assignment of blame and punishment to the human moral persons who may have brought about untoward corporate acts. Corporate decision makers are affirmed by Velasquez as the proper subjects of moral responsibility ascriptions for wrongdoing in corporate settings. The second drawback to an intentional large-scale corporate personality concerns the possible threat of organizational totalitarianism that could inordinately dominate the subordinate human members.¹⁶ This concern of Velasquez is well-taken since most corporations display an authoritarian organizational format by which purpose tasks are ordered from the top decision makers downward, and obedience, loyalty, and service are organizational virtues. Regardless of the possible consequences of a



hypothetical, corporate group-mind, Velasquez effectively disproves the concept of an intentional, purposive corporate collectivity by his attestation to the intentional human members who make the intentional decisions for the corporate entity and thereby comprise the moral dimension of corporate collective enterprise.

Donaldson also charges French with an exaggeration in his argument for corporate intentionality and moral personhood that overstates the similarity between a corporation and a human person. Donaldson asserts that corporations are not "persons," morally speaking. The semblance of corporate intentionality is traceable to the corporation's human creators, members, managers, all those who perform tasks in the name of the corporation. In countering French's fallacious notion of corporate agency, Donaldson contributes the following thoughts:

The corporation is an artifact [a creature of mankind], not a product of nature. Unlike persons, it has no built-in "directedness" toward morality, no inherent desire to be moral.¹⁷

Assured as to where intentionality and moral responsibility reside in corporate settings, Donaldson is even prompted to suggest some ways to improve the moral dimension of a bureaucratized corporate collective. First, individual responsibility must be encouraged and reinforced throughout the corporate organization.¹⁸ For example, individual members could be allowed greater

involvement in decision planning for task accomplishment with commensurate accountability. Second, it is recommended that top officials and technocrats particularly should be educated in ethical skills and trained in on-the-job moral behaviors.¹⁹ Last, decision making at all levels of the organization should include both legal and moral considerations.²⁰ These recommendations are briefly cited to demonstrate, in refutation of French's argument, where in corporate settings actually reside moral agency and moral responsibility, namely, in the human persons who work and act in the corporate organization. Donaldson attests to the absurdity of French's perception of the corporation as a moral person by his affirmation of human moral personhood and responsibility that comprise the moral dimension of corporate collective enterprise. In fact, Donaldson clearly acknowledges both the corporate legal and human moral aspects of collective organization in his proposal of external legal controls and internal moral controls for the advancement of corporate responsibility.²¹ Donaldson hints at the duo-dimensionality of corporate responsibility--a principle of corporate responsibility that this work aims to defend.

We turn now to John Ladd, who stands as not only a formidable challenger of French's moral person view of

corporate entity, but as the initiator of the debate on the moral status of the corporations.²² His classic work on formal organizations depicts the corporate organization as an amoral, goal-oriented hierarchical structure. In the case of a business organization, decision planning and work tasks are geared toward the achievement of economic and financial purposive goals. The formal business organization has no overriding concern with morality or morals as such; it is generally not moral-principled in the sense of individual human morality. Instead, the responsibilities of corporate enterprise pertain heavily to legal compliance and accomplishment of organizational goals of economic productivity and monetary profit. The business corporation functions in our society as a capitalistic instrument for economic production and financial gain. Ladd explains clearly that a corporate organizational entity cannot qualify as a moral person or be held morally responsible for its activities.

Granted that this position stands in direct opposition to French's moral person view, the only responsibilities a goal-directed corporate entity strives to accomplish are its particular amoral organizational goals. In formal corporate organizations, then, there exist no moral-laden goals or moral-principled corporate actions. Admittedly, Ladd's perspective of the corporate organizational entity appears extremely anti-moral person,

especially the impression he portrays of the organization as amorally tyrannical.²³ Yet, he concedes that the only way moral concerns can be included in the corporate decision-making process would be indirectly as limiting conditions of law, custom, religious beliefs, and practices of the external operating environment. Ladd goes on to depict the organization scene as demoralizing in that double standards of conduct are being generated by the amoral formal organization model. The dual standards are (a) the rational or goal-oriented behavior of organizational decision making, and (b) the moral behavior of individual decision making.²⁴ Both standards, he assures us, are needed for a civilized, humane society; neither one should be surrendered. Thus, he calls a search for a way out of the dilemma, a way that is both practical and moral.²⁵ Now, this work may just point the way to indulge both standards of conduct within a corporate organizational setting by the proposed two-dimensional notion of corporate responsibility that acknowledges both the legal/organizational and individual/moral aspects of corporate decision making as a legal/moral interface of responsible corporate action.

From the foregoing survey of ideas to disprove French's moral person view, we find that French's position exaggerates the accountability status of the corporate



entity by attributing to corporations the kind of intentional agency that derives from human mind-body unity of action. The corporation has no mind or body of its own. Its internal decision structure, which French offers as major proof of corporate intentionality, actually reveals the intentions and intentional actions of human persons who are associated with the corporation, such as founders, directors, managers, and other personnel. These people comprise the morally responsible decision members of corporate enterprise. The corporation's members who make decisions for the corporate enterprise constitute the moral dimension of corporate organization. Consequently, moral responsibility for wrongful acts in corporate settings can be traced to the corporation's human intentional actors. Yet, French's argument for corporate moral personhood tries to trace intentionality and moral responsibility to the corporate entity, which in itself cannot claim to have a mind-body unity of action necessary for intentional moral action. By his affirmation of the corporate entity as a moral person, French undermines the authentic moral dimension of corporate organization--the human members; he also underrates the legal accountability of corporate organization. French mistakenly discounts what may be one of the most viable means to keep the large corporation socially accountable. A large part of corporate accountability derives from legal stipulations

and government regulatory controls, as GM's top attorney can attest:

We are a highly regulated business, and everything we do has legal implications, from the way the plants are run to how we treat our people and how we sell our products.²⁶

Much of the giant corporation's responsibility consists of compliance with laws. The legal staff of human, professional corporate members are involved in decision making to keep the corporation in compliance with all regulations and responsible in its activities.²⁷ Legal accountability remains an important dimension of corporate responsibility, along with moral accountability of corporate decision members. Both types of accountability exist in corporate settings because of the unique combination of legal personhood of the corporate entity and moral personhood of the corporation's decision members. The two types of personhood and consequential accountability that operate in corporate organizations comprise what this work defends as the duo-dimensionality principle of corporate responsibility.

The counterevidence to French's moral person view shows that the corporate entity cannot qualify as an intentional moral person, mainly because the corporation lacks a mind-body unity of intentional agency whereby intended action is carried out by bodily movements in one and the same person. Velasquez cites two requirements for



origination of intentional action--mens rea and actus reus--a mind-body relationship that intends an act and bodily carries it out. The corporation has neither a mind nor a body of its own; it has no mental or physical characteristics of its own. All corporate decision action is performed by the corporation's human members, who act with their individual minds and bodies on behalf of the corporate entity to bring about corporate acts. It is the corporation's human members who properly qualify as moral persons and who are the official members of the moral community. In spite of French's philosophical zeal, his efforts to get the corporate entity admitted to the community of moral persons seem to be futile.

One such effort was French's reference to the Davidsonian conception of intentional agency in which the crux of intentional action lies in sentences and descriptions of actions that connect an act with its intentional agent. Now, French's flaw was in his use of Davidson's idea for a nonhuman entity. Davidson in no way suggests that his intentional agency idea refers to anything but human persons. The commentaries that accompany his article also indicate that the intentional agency concept pertains to human persons. Another effort was French's allusion to H. L. A. Hart's treatise on recognition rules that govern large-scale social

institutions and establish legitimacy of authoritative power and decision making. Now the function of recognition rules in corporations do establish legitimate organizational authority and decision making. However, French of his own accord interprets the recognition rules as having an added metaphysical character of intentionality. In Hart's discussion of recognition rules, he makes no reference to the metaphysical issue of intentionality. French obviously overstates the ideas of some of his key sources of support for moral personhood of the corporation. He illegitimately uses the Davidsonian concept of agency because he applies it to a nonhuman entity. Then, French wrongly interprets or embellishes Hart's recognition rules to falsely impute intentionality onto the corporate entity.

Thus, we find that French errs in his argument for corporate moral person beyond that of legal person. Since the corporation is not a moral person, it cannot be held morally responsible for its acts. The corporation is no more than a legal collective entity with legal responsibilities. Only the corporation's human members are intentional moral persons, and they make the intentional decisions for the corporate entity. Consequently, the corporation's human members can be held morally responsible for corporate decision actions.

In summary, then, the corporation itself is a legal entity with legal responsibilities, and the corporation's human members are the moral persons with moral responsibility. These two understandings are hereupon combined to form a plausible conceptualization of responsibility in corporate settings--a two-dimensional notion of corporate responsibility.

The next section continues the refutation of the moral projectionists.

6.2 Refutation of Moral Projection

Moral projection as an approach to corporate responsibility suggests that moral criteria derived from individual human morality be used in corporate decision making, so as to develop corporate conscience and corporate responsible behavior. The corporation is expected to engage in moral deliberation as an integral part of the decision-making process and to accept moral responsibility for the consequences of corporate decision action. Ultimately, the moral-projection view promotes a moral framework of reference for morally responsible organizational decision making. Moral criteria such as rationality, respect, and cognitive processes constitute the moral expectation to be developed throughout the decision structure for conscionable corporate behavior. It is observed that the moral projectionists direct their

suggestions of moral criteria for responsible action to the corporate entity itself, as the following passage indicates:

By looking closely at the realm in which responsibility is usually understood--the individual's action and intention--and then projecting the light of this understanding onto the company, they [Goodpaster and Matthews] hope to help corporations inform their decisions with moral concerns.²⁸

Christopher Stone himself insists that the meaning of "being responsible" must first be examined in the light of general human responsibility, and then used to develop a notion of responsibility pertinent to the corporation as a whole.²⁹ From his own examination of individual responsibility, Stone tells us that "being responsible" for a mature moral person involves obedience to laws and reflective deliberation on moral principles and consequences of decision actions. Stone's moral responsibility criteria are similar to Goodpaster and Matthews's rationality and respect components of moral responsibility. Our projectionists want to apply these moral criteria to the corporate entity in its decision-making process. At this point, the projectionist argument becomes awkward, if not ambiguous, in showing that the corporate entity itself can behave in a mature and morally responsible way.

To begin with, if the projectionists want the corporation to act morally, they should direct their moral

criteria to the corporation's human decision members who make intentional decisions for the corporate entity, rather than awkwardly project standards of moral behavior onto the nonmoral conglomerate collectivity. It does not make sense to expect moral behavior from a nonmoral entity. The corporate entity in and of itself cannot act intentionally, and therefore cannot be held morally responsible for its wrongful acts. However, moral behavior can be expected from the human persons who create, develop, and direct the corporate organization. The corporation's human decision members can act with purpose and intent on behalf of the corporate organization, and thereby can be held morally responsible for the consequences of their decision action. If projectionists want the corporation to act morally, they must look to the moral dimension of corporation, that is, the human moral persons who are the intentional actors of corporate enterprise. After all, how can a corporate collective entity be said to deliberate or consider alternative, purposive goals except through its human decision members who have rational and intentional capabilities to consider alternative decisions for the corporate entity?

Clearly, the projectionists err when they project moral criteria of individual morality onto the corporate entity itself, which cannot deliberate on moral

principles, let alone behave morally. Moral projectionists fail to address the human corporate members as moral persons, and to direct criteria of moral expectations at those persons with power to make policy decisions and to implement strategic actions. People who form, direct, and manage the corporation should be expected to behave morally, not some organizational phantom behind which human decision makers can hide. The projectionists' approach to corporate responsibility seems to undermine the human moral dimension of corporate organization. If projectionists want to see moral deliberation and moral selection of alternatives occur at the corporate decision-making level, it can happen only through the instrumentality of intentional, purposive human decision members. The corporation can be said to act rationally and morally only through its human moral agents, who deliberate and make decisions for the corporate organizational entity. Since the corporate entity does not qualify as a moral person with intentional moral agency, the scheme of moral projection becomes a senseless, if not impertinent, accommodation of human moral criteria for responsible corporate behavior. Furthermore, since human corporate members are already subject to standards of individual morality, the accommodation of moral projection is found redundant and unnecessary for them.

In spite of the projectionists' earnest endeavor to have the corporate entity held morally responsible for untoward acts, their device of moral accommodation proves to be misdirected. The projectionists are not only mistaken about corporate agency, they also fail to acknowledge, for whatever reason, the corporation's human decision members as moral persons with moral obligations to act according to moral criteria for responsible human behavior, whether at home or at the job. Thus, we find that the projectionists have a flawed understanding of how moral criteria could be introduced into the corporate decision process, so as to effect corporate moral decision making.

Now, given the corporation's origin of legal incorporation and structural framework of human decision power, there are essentially two ways by which moral principles of action could enter into the corporate decision-making process, namely, the law or regulatory controls and the moral behavior or decision action of the corporation's human personnel. In these ways, moral criteria of responsible behavior can find admission to corporate decision making without the awkwardness of moral projection. First, the laws that regulate corporate activities, for the most part, embody rationality and socio-moral values. The corporate entity has legal

responsibility to maintain compliance with laws in its strategic decision planning. The second and perhaps the most effective way to include moral criteria in corporate organizational decision making is through the human decision members who, as moral-intentional persons, deliberate and act on behalf of the corporate entity. Human members of corporate enterprise, whether founders, directors, managers, staff, or other personnel, all comprise the source of morality in corporate activities, as well as the moral-intentional dimension of corporate responsibility. As moral persons, the corporation's decision members can bring moral criteria of rationality, respect, obedience to law, and cognitive processes directly to organizational decision making for morally responsible decision action at the corporate level.

The corporation's human members, as moral persons, are subject to the moral standards of responsible human behavior. They are expected to behave morally in their interpersonal and group relations, regardless of time and place. These human decision makers in social organizations, such as conglomerate collectivities, are expected to exercise moral responsibility in their purposive actions performed alone or in group settings. When corporate members make decisions on behalf of the organizational entity, they can be held morally responsible for any untoward consequence of their

purposive, intentional action. There abides a single standard of human morality, that of individual moral responsibility for each and all whether at home, in a car, or at the job/position in an organization. One of the most prolific writers on corporate organizations, Peter F. Drucker, affirms that the code of human morality is one and the same for all moral persons regardless of status, position, or power:

There is only one ethics, one set of rules of morality, one code, that of individual behavior in which the same rules apply to everyone alike. . . . The reason for this insistence of a code that considers only the individual, and not his status in life or society, is precisely that otherwise the mighty, the powerful, the successful will gain exemption from the laws of ethics and morality. . . . There is only one code of ethics, that of individual behavior, for prince and pauper, for rich or poor, for the mighty and the meek alike. Ethics, in the Judaeo-Christian tradition, is the affirmation that all men and women are alike creatures--whether the Creator be called God, Nature, or Society.³⁰

Thus, we find that criteria of individual morality need not be accommodated as the projectionists propose, since the code of human morality is the same for individuals whether they are inside or outside of corporate organizations. The criteria for moral decision making remain the same for persons who make decisions at their jobs in organizations on behalf of the corporate collective entity. They are expected to be rational, obedient to law, respectful of humanity, and considerate of the consequences of their decision actions. The

individual corporate members are expected to behave morally at their decision tasks performed on behalf of the corporate organizational entity. Only the corporation's human members can be held morally responsible for untoward decision actions of the corporate entity. The corporate entity itself, of course, can be held legally responsible for its untoward activities since it is a legal or juristic person. Only the human corporate members can be held intentionally responsible for untoward corporate acts or violations of law. In these instances, the human members can also be held legally responsible for corporate wrongdoing in the courts of law.

From the foregoing discussion, we find that the projectionists are mistaken about the corporation's agency as moral intentional, as well as in their belief that the corporate conglomerate could assimilate moral criteria for responsible decision action exclusive of the human decision members--the de facto moral persons. The only agency that the conglomerate collectivity can validly claim is that of legal or juristic personhood. As a legal entity, the corporate conglomerate has legal responsibility to comply with all law pertinent to its existence and operation in the society. The corporation's human members have moral agency because they are moral persons with intentional, purposive faculties with which

they make decisions in corporate organizations; consequently, they are morally responsible for their decision actions performed on behalf of the organizational entity. The projectionists fail to adequately address the moral role of corporate decision members, who are in fact morally responsible for their decision actions in corporate organizations. Human decision members in corporate settings are the only moral persons with moral responsibility for corporate action. By moral projection or accommodation of moral criteria to the corporate entity, the projectionists wrongly shift moral responsibility from the human decision makers to the corporate entity itself. This shift of moral responsibility from humans to conglomerate collectivities undermines the actual source of moral responsibility in corporate organizations--the human decision makers.

For these reasons, essentially, the projectionists have been refuted and found wanting in their contribution to an enlightened understanding of corporate responsibility.

In the following chapter, I will make concluding statements about the findings of this research and refutation of corporate moral person and corporate moral responsibility.



Notes--Chapter VI

¹John R. Danley, "Corporate Moral Agency: The Case for Anthropological Bigotry," in Business Ethics, 2nd ed., ed. W. Michael Hoffman and Jennifer Mills Moore (New York: McGraw-Hill, 1990), p. 204.

²Richard T. DeGeorge, "Can Corporations Have Moral Responsibility," in Ethical Theory and Business, 2nd ed., ed. T. L. Beauchamp and N. E. Bowie (Englewood Cliffs, N.J.: Prentice-Hall, 1983), p. 61.

³Ibid.

⁴Ibid., p. 62.

⁵Richard T. DeGeorge, ed., "Collective Responsibility," in Business Ethics, 2nd ed. (New York: Macmillan, 1986), pp. 98-99.

⁶DeGeorge, "Can Corporations Have Moral Responsibility," p. 66.

⁷Richard T. DeGeorge, ed., "The Moral Responsibility of Corporations and Formal Organizations," in Business Ethics, 2nd ed. (New York: Macmillan, 1986), p. 96.

⁸Peter A. French, Collective and Corporate Responsibility (New York: Columbia University Press, 1984), pp. 40, 47.

⁹Danley, "Corporate Moral Agency," p. 204.

¹⁰Ibid., pp. 204-205.

¹¹Ibid., p. 203.

¹²In their classic work, The Social Psychology of Organizations, 2nd ed. (New York: John Wiley and Sons, 1978), pp. 18-19, Daniel Katz and Robert L. Kahn, while they analyze corporate organizations from an "open system" approach, readily acknowledge the common-sense understanding of functional human purpose and design of corporate organizations.

Coordinated human endeavors are at the heart of corporate organizations, as Chester I. Barnard expounds in The Functions of the Executive.

In The Human Nature of Organizations (New York: AMACOM, 1973), pp. 1-16, J. Douglas Brown elaborates on the human character of corporate organizations with its complexity of initiatives and responses found in individual human members. He claims that human organizations persist in being human on an individual level.

The behavioral scientist, Chris Argyris, observes the corporate organization model as being a dominant human strategy to coordinate human efforts toward achievement of human goals; Understanding Organizational Behavior (Homewood, Ill.: Dorsey Press, 1960), pp. 1-2, 10-11.

¹³French, Collective and Corporate Responsibility, pp. 82-83.

¹⁴Manuel G. Velasquez, S.J., "Why Corporations Are Not Morally Responsible for Anything They Do," Business and Professional Ethics Journal 2 (Spring 1983): 9.

¹⁵Ibid., p. 15.

¹⁶Ibid., pp. 15-16.

¹⁷Thomas Donaldson, Corporations and Morality (Englewood Cliffs, N.J.: Prentice-Hall, 1982), p. 127.

¹⁸Ibid., pp. 118-19.

¹⁹Ibid., pp. 121-22.

²⁰Ibid., pp. 122-23.

²¹Ibid., p. 209.

²²Richard T. DeGeorge, "The Status of Business Ethics: Past and Future," Journal of Business Ethics 6 (1987): 206.

²³John Ladd, "Morality and the Idea of Rationality in Formal Organizations," The Monist 54 (October 1970); reprinted by permission of the author and The Monist in Business Ethics: Corporate Values and Society, ed. Snoeyenbos, Almeder, and Humber (New York: Prometheus Books, 1983), p. 48.

²⁴Ibid., p. 58.

²⁵Ibid.

²⁶Working (June 1988): 12; from an interview with General Motors attorney, Jim Cubbin.

²⁷Ibid., pp. 12-13.

²⁸Kenneth E. Goodpaster and John B. Matthews, Jr., "Can a Corporation Have a Conscience?" in Ethics in Management, ed. K. E. Goodpaster (Boston: Division of Research, Harvard Business School, 1984), p. 145.

²⁹Christopher D. Stone, Where the Law Ends (New York: Harper and Row, 1975), p. 111.

³⁰Peter F. Drucker, "What Is Business Ethics?" in Business and Society, ed. Thomas G. Marx (Englewood Cliffs, N.J.: Prentice-Hall, 1985), pp. 175-76.

CHAPTER VII

CONCLUSIONS

From the findings of research on Peter A. French's corporate moral person view and the moral projectionists, along with countervailing arguments of major challengers, I conclude that the corporation is not a moral person, but only a legal collective entity responsible to the dictates of law. Corporations are found incapable of "intending" in the sense that members of the moral community "intend," that is, with a mind-body unity of action. Thus, corporations do not qualify as moral persons that can be given full-fledged membership in the moral community, as French argues. Consequently, corporations cannot be held morally responsible for their actions beyond what is designated by law for legal corporate entities. Corporations are merely legal collective entities, and they can only be held legally responsible for their wrongdoing. Moral responsibility ascriptions cannot validly be assigned to corporations. Only legal responsibility ascriptions can properly be directed toward corporations.

Interestingly enough, Milton Friedman's classical view of corporate responsibility is also based on the corporation's legal status as a legal collective entity sanctioned and controlled by state and federal laws. For Friedman, corporate responsibility is derived from the particular corporation's socioeconomic and financial purposes for operating within the society and under the society's laws.¹ Friedman views the corporation as merely a legal business operation with its particular legal responsibilities. In contrast, French views the corporation as more than a legal business enterprise; the corporation is also a moral person with moral responsibilities for its activities. The moral projectionists, too, view the corporation as having more than legal responsibility, but without the requisite of corporate moral personhood. Yet, the projectionists remain unclear in their justification of assignment of moral responsibility ascriptions in corporate settings.

This work, then, concludes that the corporation is not an intentional, moral person with moral responsibility for its acts, and therefore cannot be admitted to the community of moral persons. The corporation is merely a legal collective entity with only legal responsibilities. The corporation itself cannot be held morally responsible for its acts.



Another significant conclusion I reach from this study is that only the corporation's human members are the intentional, moral persons who are associated with corporate decision making, and thus can be held morally responsible for corporate wrongdoing. The corporation's human members provide the moral character of corporate organization. Only the corporation's human decision members can be held morally responsible for their decisions or indecisions made for the corporate entity. They are morally responsible for their decisions or indecisions in corporate settings.

Last, I conclude that the corporate organizational setting sustains two identifiable modes of responsibility --legal responsibility of the corporate entity itself, and moral responsibility of the corporation's human decision members.

Notes--Chapter VII

¹Milton Friedman, "Social Responsibility of Business," in Business and Society, ed. Thomas G. Marx (Englewood Cliffs, N.J.: Prentice-Hall, 1985).

CHAPTER VIII

RECOMMENDATIONS

From the findings and conclusions of this study, I recommend that further discussion on corporate responsibility consider the duo-dimensionality of corporate responsibility in corporate organizational settings. The conglomerate collectivity as a corporate legal entity can be held legally responsible for corporate actions, while the corporation's human decision members, who are intentional moral persons, can be held morally (and legally) responsible for their decisions made for the corporate entity. Perhaps this understanding can move the business ethics debate on corporate responsibility a minuscule step forward to a better understanding of responsibility in large corporate organizations.

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