

Ethics and the Corporation as a Social Construct

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1. Corporations are a creation of society, and as such are made to (or are recognized with the caveat that they) serve the common good. For-profit corporations are made for the purpose of economic success. They are expected to make a profit and, over the long run, are most successful in doing so, by serving the common good. In the traditional conception, corporations are granted limited financial liability. Thus investors' downside risk is limited to the amount invested, but the upside is left without limit. In return the corporation is expected to provide society with goods of serviceable quality at a reasonable price and with jobs for workers.

Beyond this basic implicit contract, the nature and form of corporations depends on the kind of socio-political-economic system in which it is embedded. The responsibilities of corporations in the United States are accordingly different from those in Germany or France or Italy or in other parts of the world. Individual nations may require in one case that the corporation pay for part or all of a workers' health insurance. In a country in which the government provides and covers health benefits through taxation, the payment of health insurance by corporations is not an issue.

2. Since a function of government is to provide for the common good, it may ensure that its members receive the protection of their human rights in a variety of ways. Thus, once again, what is expected of a given corporation may vary in different countries. The same is true with respect to what is commonly called the Social Responsibility of Corporations, or Corporate Citizenship, or Triple Bottom Line governance.

There is a debate about how to reconceptualize or redefine the corporation. The notion of construing the corporation as responsible to stakeholders rather than to shareholders has gained considerable attention. Similarly, some see the notion of Corporate Social Responsibility as involving a change in the conception of the corporation, and others see the notion of Corporate Citizenship as doing the same. I shall argue neither for nor against any of these. Rather my claim is that no matter how one conceives of the corporation, or how it is structured legally and internally, or how it is related to the economic and political system of an individual country, two generalizations are possible, regardless of the fact of the differences among corporations and their social settings.

The first is that to the extent that one can describe the actions of corporations, corporations are bound by the rules of morality just as individuals. The second is that as a social construct, corporations should be accepted by society only to the extent that they fulfill their purpose and in so doing contribute to the common good.

3. Ethical requirements of business do not change depending on whether the corporation is defined in one way rather than another. Otherwise one could change one's responsibilities simply by redefining the corporation so as to suit what one wanted to do.

4. Social Responsibility, Triple Bottom Line, Corporate Citizenship should not be confused with ethics. They each serve a purpose and in various ways are initiatives to be applauded and supported. But they are used by corporations and by their critics in a variety of ways, some of them ethically questionable. Moreover, they are sometimes inappropriately used as substitutes for ethical evaluation or as a means of deflecting ethical scrutiny.

5. Corporations as global entities raise special problems. In less developed countries, where laws are less restrictive or poorly enforced, ethics plays a greater rather than a lesser role in restraining corporations. A proper question in such cases is not what does necessity demand but what does ethics either allow or forbid?

The extent to which corporations are no longer clearly national entities but international in not only reach but organization complicates the social, not the ethical rules, under which they are to operate. Take as one example a Swiss pharmaceutical company. What is expected of it from the perspective of social responsibility, but not from the perspective of ethics, in Sudan is different from what is expected of it in the United States, and is different from what is expected of it in the European Union.

6. The UN Global Compact comes closest of existing codes, structures and institutions to outlining the international dimension of the ethical requirements of global corporations. But it presently lacks specificity, independent audits, and any enforcement mechanism—all of which are important components.

7. Conclusion: When corporations are seen as social constructs a number of disputes concerning corporations, how to conceptualize them, and what rules should govern them, can be resolved. Greater clarity can then be achieved by discussing with some greater precision what can and should be legitimately demanded of corporations by society. Some of the demands are appropriately relative to given societies; some are general or universal in character.