

LAW, ETHICS AND ECONOMICS



Corporate Citizenship, Contractarianism and Ethical Theory

*On Philosophical Foundations
of Business Ethics*

Edited by

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**CORPORATE CITIZENSHIP, CONTRACTARIANISM
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Law, Ethics and Economics

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Introduction

Jesús Conill, Christoph Luetge and Tatjana Schönwälder-Kuntze

In their different perspectives, the chapters included in this volume represent the broad spectrum of theoretical work on central topics related to business ethics. This broadness does not only become apparent in the various concepts which are discussed within business ethics, but also in the different methods used to approach the specific topics. In particular, many of the chapters collected here focus on the notion of *corporate citizenship*. They are the result of an international conference held in Valencia (Spain) from 3–4 April 2006.¹

Each part of this volume presents a different methodological approach, as the methods range from examining empirical phenomena to founding problems and different ways of theorizing ethical problems in general. This introduction provides a short overview of the three main parts titled ‘Theorizing Corporate Citizenship’, ‘Founding Business Ethics’ and ‘(Corporate) Social Responsibility and Reflecting the Impact of Ethical Theory: Contractarianism, Ethics and Economics’.

Part 1 contains two chapters which theorize *corporate citizenship* as a growing phenomenon which arose in the last decades, as questions like the relation of business and society on the one hand and of the social responsibility of professions and their members on the other hand were increasingly addressed. The third chapter of this first part develops an innovative, systems-theoretical view on corporate citizenship.

The three chapters of Part 2 open the view on the historical and the systematic foundations of business ethics, with a particular focus on the concept of *social responsibility*. This also includes arguing against an abusive use of ethical concepts, as the fifth and the sixth chapters make obvious.

Part 3 contains four chapters which can be classified as meta-considerations. They take a look at established theories or conceptions and ask what impact these theories have on moral behaviour. While the first chapter of this last section discovers that ethical conceptions normally deal with a ‘moral surplus’ to found the appeals they argue with, the second one provides the ‘concept of social dilemmas’ as an instrument to depict social situations. The third chapter shows the mutual influence of processes of economic and ethical theory building and

¹ The conference ‘Business Ethics, Social Integration and Corporate Citizenship’ was organized by CEIMIGRA (Research Centre for Social Integration and Immigrant Training) and the ETNOR Foundation for Business and Organization Ethics. The project was supported by the EQUAL initiative, under the project ‘An@logias. Historias vinculadas para la integración’, Development Group 508 ENLACES. It was financed jointly by the European Social Fund and the Valencia City Council.

the last one discusses two different ways of ethical approach, applying them to the concrete problem of a better pharmaceutical distribution to let more people share medical supplies all over the world.

The key words ‘theorizing’, ‘founding’ and ‘reflecting’ thus emphasize distinct ways of theoretical work in philosophy, e.g., on concepts like ‘corporate citizenship’ or ‘business ethics’ which appear – depending on the different perspectives – as younger or older conceptions in modern theory building. All of these perspectives take other contexts – and therefore different objects – into consideration, so that we can indeed offer a highly differentiated set of theoretical expositions on our subject.

Part 1, Theorizing Corporate Citizenship, starts with the chapter ‘Corporate Power and Responsibility: A Citizenship Perspective’. Jeremy Moon, Andrew Crane and Dirk Matten apply ‘the metaphor of citizenship to business–society relations’ by observing the development or transformation this relation has been undergoing for some time now. They use the civic concept of citizenship to introduce the ideas of *power* and *responsibility* – which are wedded to the first – into the discussion of business–society relations. But they do not only consider ‘corporations as citizens’ as if these corporations were people-type citizens, but also corporations as ‘deploying government-like powers’, as if they were governments in relation to people as citizens. The authors take into consideration the role of corporations ‘as arenas for stakeholders’ creating an arena for people to exercise their citizenship in. Moon, Crane and Matten point out that the relation between business and society apparently manifests growing power of business and shrinking power of governments in the last decades – an observation that is confirmed by accompanying demands for corporations to take on more responsibilities in society than they ever did before. By analyzing the relationship of business and society using the three key concepts mentioned, the authors draw a differentiated picture of how to understand this relation (which is subject to change continuously), and they develop suggestions how to make their analysis useful for further investigations.

In ‘Governing the Corporate Citizen: Reflections on the Role of Professionals’, Christopher Cowton starts with the assertion that professions and their representatives can have an impact on the ethical behaviour of business in general. He explores the nature of this potential and stresses some of the problems involved in determining the degree to which that potential is realized. Cowton links the concept of corporate citizenship to corporate governance on the one hand and to the various degrees to which professions fulfil their social responsibility, on the other hand. Furthermore, he introduces another important aspect in considering the coherence of *gatekeepers’* behaviour and corporate governance processes: Cowton comes to the conclusion that professional bodies could do effective monitoring for gatekeepers. He therefore suggests that ‘the state and its regulators should, if necessary, seek to be a stronger ‘principal’ to the professional body “agents”’. In doing so, he refuses to appeal directly to professions to act more ethically.

In ‘“Corporate Citizenship” from a (Systems)-Theoretical Point of View’, Tatjana Schönwälder-Kuntze develops an interesting and innovative perspective on corporate citizenship. After an in-depth look at central ethical ideas of classic

philosophers from Aristotle to Descartes, Hobbes, Kant and Hegel, Schönwälder-Kuntze follows especially the system theory of Niklas Luhmann. Her aim is to make it clear that the notion of corporate citizenship can be understood not only within one, but within two systems – in terms of economics and in terms of ethics.

Part 2 of this volume, *Founding Business Ethics and (Corporate) Social Responsibility*, starts off with an chapter by Adela Cortina, 'Corporate Social Responsibility', which extends the perspective to the historical roots of business ethics as a part of philosophical theory building. She points out that corporate social responsibility is not really a new idea or concept (even though it recently gained some relevance because of Kofi Annan's appeals to 'extend the benefits of globalization to all human beings'), but should be and has indeed been a facet of ethical theory since Adam Smith. Cortina argues that social responsibility is not something 'nice to have' for business but 'must be assumed as a management tool, as a measure of prudence and as a requirement of justice' in order to become or stay a competitive global player. Thus it is a sign of rational behaviour if companies assume social responsibility and know that it 'does not simply consist in mere philanthropy'. Instead it should be recognized that there has always existed – from the first days of business onwards – a strong bond between all those who are affected by the company which cannot be negotiated.

In his chapter 'Profit and Morality in Global Responsibility', Karl Homann offers an overview of the different demands companies are expected to fulfil. He widens the concept of responsibility by differentiating it into three dimensions, namely action responsibility, order responsibility and discourse responsibility, to show how corporations and managers can act in these fields. The first dimension could be seen as the classic one which concerns investing in charities and art. The second kind of responsibility is the one which badly needs to be realized, as it addresses the conditions for a situation where poor people and rich people alike can realize benefits of cooperation; conditions such as governmental structures that guarantee property rights etc. Discourse responsibility refers to the problem how to *communicate* that business is the essential part and condition of growing wealth – as mentioned in Adela Cortina's chapter – in a way that people can see this fundamental connection between business and welfare. This means to abandon the notion of morality and business as opponents, while not forgetting that the free market does not hold benefits in every case for everyone at any time – therefore both aspects have to be communicated in an adequate matter.

The third chapter connects to these considerations on the subject of discourse responsibility, by exploring the *abuse* of that notion and by proving more useful applications. Markus Beckmann and Ingo Pies coin a new term in 'Ordo-Responsibility – Conceptual Reflections towards a Semantic Innovation' to improve the semantics of responsibility. The term 'ordo-responsibility' presents a concept deemed helpful in identifying a suitable approach for the attribution and acceptance of responsibility, claiming that one can only be responsible for those outcomes which are subject to one's own control. Therefore, 'ordo-responsibility' identifies responsibility for the common *rules* of the game we play and not for single *moves* within the game – in game-theoretical terms. Beckmann

and Pies end their chapter by pointing out the conceptual advantages derived from economic ethics: The concept of 'ordo-responsibility' supports an economic theory of self-organization which is apt to deal with responsibility in a number of fruitful ways.

Part 3, *Reflecting the Impact of Ethical Theory*, starts with Christoph Luetge's chapter 'Civilizing the Barbarians? On the Apparent Necessity of Moral Surpluses'. He analyses four ethical theories: discourse ethics represented by Habermas; two specimens of contractarian ethics represented by Rawls and Binmore; and order ethics represented by Homann and himself. Habermas and Rawls contend that 'a moral surplus is necessary in addition to rules and incentive structures' to hold societies together. This goal will nevertheless be missed, if the moral surplus is necessary but cannot remain stable in 'Prisoners' Dilemma' situations. Instead, Luetge argues for an order ethics which is not based on anthropological characteristics like a moral sense etc. but on 'three minimal assumptions that must be given to guarantee functional governance by rules and social stability: sociality, ability to communicate and ability to invest.'

In the second chapter 'Social Dilemmas and the Social Contract', Sören Buttkereit and Ingo Pies point out the fundamental importance of the *concept* of social dilemmas for an ethical theory-building which could be recognized as really relevant for decision makers within economic contexts. In particular the chapter offers a powerful instrument for overcoming apparently unsolvable problematic social situations by looking at them in a different way, i.e., with another problem-solving-model in mind. Thus dilemma situations could be constructively transformed into the starting point of new approaches which lead to better social rules – be that to prevent further social dilemmas or to build them, depending on whether they are generally seen as being useful or not.

In his chapter 'Ethical Economy as the Economy of Ethics and as the Ethics of the Market Economy', Peter Koslowski pictures how the ethical and the economic dimension of acting mutually influence each other. He argues that both dimensions appear simultaneously, at least in situations where people face important choices. Therefore, he treats the 'ethical economy' as the theory of their synthesis. That theory contains at least eight principles which are represented by discussing historical standpoints like Plato's and classic utilitarian ethics on the one hand, and by detailed descriptions of ethical preconditions and presuppositions of the market economy on the other hand. Finally, Koslowski describes Max Weber's analysis of the important role of incentives which are not of an economic nature (referring to a shallow sense of the word): These non-economic incentives may well increase motivation and creativity under market conditions.

In the last chapter of the volume 'Why the International Market for Pharmaceuticals Fails and What to Do about it: Comparison of Two Alternative Approaches to Global Ethics', Ingo Pies and Stefan Hielscher show that different theoretical outcomes are the result of diverging analytic approaches to ethics. The article compares the two approaches with regard to how they conceptualize and propose to solve the problem of providing life-saving pharmaceuticals to the poor in so called 'developing countries'. Both approaches stress the importance of institutional design and incentives, however, there are important differences in

the details. From the perspective of, for example, an economic ethics, the problem is not one of transfer, but of governance: institutional deficits in a number of countries hinder the poor from expressing their need as an actual demand on the market. Furthermore they stress the different conceptualization of normativity as a major difference between the two approaches: it makes a difference if normativity is understood as an obligation or as a heuristics. As such it seeks to identify and implement institutional arrangements for mutual benefit.

PART 1

Theorizing Corporate Citizenship