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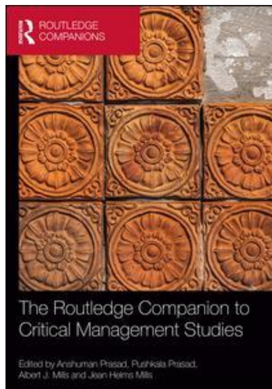

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Let them eat ethics

Hiding behind corporate social responsibility in the age of financialization

Richard Marens

On July 13, 2011, a blog entry on the website of Adbusters, a Vancouver-based antiglobalization group known primarily for its satirical mock advertisements, put out a call for demonstrations on Wall Street that would echo those of Egypt that drove Mubarak out of power. Although the movement would soon become associated with the maldistribution of wealth and income under the unifying slogan "We are the 99%," the original call for action actually touched on a broader range of issues:

> [I]nstead of being caught helpless by the current power structure, we the people start getting what we want whether it be the dismantling of half the 1,000 military bases America has around the world to the reinstatement of the Glass-Steagall Act or a three strikes and you're out law for corporate criminals. Beginning from one simple demand – a presidential commission to separate money from politics – we start setting the agenda for a new America.
>
> *(Adbusters, 2011)*

Thus, the manifesto that would end up triggering the Occupy movement went far beyond complaints about distribution to include a critique of the military-industrial complex, the quashing of regulation, the ubiquity of financial fraud, and the corruption of politics through money. For the participants in the eventual movement, this was not so much a list of distinct grievances as a catalogue of symptoms, the end result of rule by a plutocracy that was quite willing to resort to violence in order to direct economic gains to top corporate management and their financial world allies to the exclusion of nearly everyone else. Yet this cluster of abuses that so many rallied against coalesced in an era in which major firms, as well as many smaller ones, professed to practice an elevated level of corporate social responsibility (CSR), a stance promoted for over a generation by the denizens of the new academic field of business ethics, who had educated many of these managers in the nuances of CSR. Yet, despite these claims on the part of corporate leaders that they were embracing an elevated level of social responsibility, thousands of people were willing to express their skepticism by joining street demonstrations, sleep in cold parks and risk beatings and arrest, often traveling long distances for the honor of doing so. Greedy bankers or

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ruthless executives have been denounced throughout most of the history of the United States, leaving the question as to why would an era of globalized business provoke such a reaction, especially at a time during which top executives were actively claiming to "do better" and were even endowing business school chairs and conferences in order to imbue their successors with an appreciation of social responsibilities.

Before even beginning to answer this question, it needs to be understood that CSR is not actually a new idea but has actually existed as at least an informal construct since the early days of widespread incorporation. But it becomes especially prominent during times and in places in which the power of corporate leaders to exploit communities and their own employees, as well as that of financiers to embezzle (legally or not), faced the fewest institutional checks, especially the countervailing power of government. This is not to say that corporate social responsibility is occasionally trotted out as a cover story to divert attention away from rapacious behavior by telling a "big lie" or that it is simply an advertising slogan for suckering those consumers who naively hoped to find "good" corporations that they could feel fine about patronizing. Certainly, there is some truth in both presumptions, but not all professions of CSR are insincere and there are certainly examples of such programs producing a degree of good, at least at the local level. Understanding the role of CSR within globalization requires more than merely dismissing it as cynical and largely dishonest public relations.

Hanlon and Fleming (2009) argue that the intended purpose of contemporary CSR is to legitimize the power of corporate decision making during our neo-liberal era of global reach subjected to relatively few institutional or governmental constraints. What executives and their academic allies project by promoting CSR is not only a distraction away from reprehensible behavior but something more fundamental, a rationale for the very freedom of action that grants corporate managers the autonomy to choose to behave reprehensibly or responsibly. In effect, CSR is a justification for enlightened despotism. Corporate figures and their academic allies embrace CSR because of the need for such a justification in an age of neo-liberalism, in which corporate decision making has become relatively unfettered by regulation and when government has become increasingly less viable as alternative provider of employment or economic security. Promoting CSR not only attempts to reassure the world that corporate executives are worthy of the autonomy to wield great power over so many people's lives, it also generates a set of expectations that pressures the recalcitrant among this stratum to fall in line at least rhetorically, so as not to blow a good thing for everyone else.

What Hanlon and Fleming claim for the contemporary role of CSR can be generalized to cover the entire history of CSR, not surprisingly since the legitimation of unequal economic power has a history that extends back centuries before the Industrial Revolution. As Weber (1978) astutely observed, the Catholic Church promoted *caritas* throughout the Middle Ages as a means of ameliorating class conflict, as typified in the celebration of the alms-giving of Duke Wenceslaus of Christmas carol fame, who shortly after his death was simultaneously canonized by the Church and posthumously promoted to the title of "King" by the Holy Roman Emperor. What interests us here, however, is the more restricted history of *corporate* social responsibility, which is largely an American story or at least has been until these last two decades (Kinderman, 2010). Matten and Moon (2008) have tried to extend the construct by distinguishing "explicit" CSR from a more implicit version that they associate with Japan and the European continent, in which CSR is actualized piecemeal by firms acceding to the corporatist pressures exerted by regulators, unions and trade associations. Kinderman (2010), however, correctly dismisses the labeling of accommodating behavior as "social responsible," not only because it stretches the definition of the term so that simply refusing to break the law becomes "socially responsible" but because European business leaders themselves do not view such behavior as practicing CSR.

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CSR begins as an American story because that is where, during the early decades of the 20th century, the large publicly traded corporation achieved its zenith in terms of national pervasiveness, global significance, and, perhaps most significantly, political and legal autonomy. As the economic importance and social and political influence of large corporations increased, various segments of the American public reacted with alarm, not only blue-collar labor leaders and professional liberal reformers, but also socially conservative figures worried about the erosion of such presumed American values as self-reliance and individual entrepreneurship. In response to these reactions, CSR became the legitimizing principle of the corporate push-back through the use of economic, political and, quite often, physical force. Managerially defined CSR eventually faded into the background as depression, war and the informal and uneasy pluralism that characterized American corporate political economy through the first postwar generation reduced the autonomy of corporate leaders to a degree, while "the great compression" of postwar American incomes demobilized any serious threat from the politics of class conflict, a demobilization hastened by the Red Scare of the era. With the rise of neo-liberalism in the 1980s, however, an environment emerged, not only in the United States this time but to some degree throughout the rest of the industrialized world, that was not too dissimilar to what existed in the first third of the century in the U.S.: an environment characterized by weak unions and light levels of regulation. This time, there was not only an American revival of the need for legitimizing CSR; the need spread abroad with the advent of globalization.

In this latest dissemination, the corporate leadership would find a new ally. If CSR is an inherently voluntary choice on the part of the top managers of a particular corporation, it is also a moral choice, and a new academic discipline would emerge within business schools that would arise to offer to both assist managers in making these choices and to train their successors. Academics had engaged with the social responsibilities of corporations before 1980 but only sparingly and typically in books and articles intended for the general public. Moreover, from the famous exchange between Dodd (1932) and Berle and Means (1932), to the literature that emerged from informal quasi-field of "business and society" during the course of the postwar generation, the discussion was often skeptical of managerial intentions, even occasionally critical, and would not have pleased many corporate executives. What developed after 1980 was the new discipline of business ethics, far more accepting of executive power and autonomy as the starting point of discussion than was previous academic discourse and, as a result, far more successful in institutionalizing themselves within American business schools.

Yankee origins

It was in the United States where a literature first emerged that attempted to define the specific social responsibilities that ought to attach to corporations. Certainly, discussions of the morality of various forms of business behaviors hardly had to wait for the great American merger movement at the end of the 19th century to commence. In the Western world, Catholicism had long advised and instructed craftspeople, merchants and bankers as to the acceptable limits of commercial conduct (Marens, 2005), and the Protestant moral philosopher Adam Smith (1776) was hardly shy about condemning the irresponsibility of the East India Company or the tendency of master craftsmen to engage in restraint of trade. When the Industrial Revolution did arrive, both the Catholic Bishop Ketteler of Mainz and the pious Anglican Lord Shaftesbury assumed leadership roles as advocates of 19th-century reform. When the new corporate giants emerged at the end of the 19th century, however, the specific question as to the social responsibilities that ought to attach to this new organizational form was first and foremost an American preoccupation.

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There are a number of reasons why this question was especially relevant in the U.S. First, the uniquely American transcontinental railroads owned by private interests not only produced technological, financial and organizational innovations that allowed for large-scale enterprise but also generated an extensive internal market, while stimulating that same market through the railroads' own demands for fuel, rails, equipment even capital (Roy, 1995; Standiford, 2005). This multifaceted impact stimulated the growth of a population of large industrial and retail corporations that far exceeded that in the rest of the industrializing world. Other nations, most notably Britain and Germany, possessed their own giant firms but not as many and not so spread across as many industries (Schmitz, 1995). Moreover, large businesses were historically constrained in older nations by their corporatist interplay with other institutions: guilds, parliaments, courts, estates, church and the like, along with the networks of patronage that traditionally mediated relationships among these institutions (Gerstenberger, 2005). Britain possessed the weakest corporatist[1] traditions, but the firms behind that nation's industrialization were typically much smaller than equivalent American firms, and while Britain actually pioneered railroad construction, these were hardly of the same size and power of their American counterparts.

Britain, along with Germany, also possessed something missing in the United States, a parliamentary system in which labor-based parties could push back against the growing power of larger businesses (Holt, 1977). By contrast, the United States was governed through a federal system in which the central government was slow to intervene economically, and the various state governments were often outflanked or overwhelmed by national corporations. Worse, a continuum of perpetrators of state violence, ranging from federal troops to state national guards to local police to deputized Pinkerton guards, waged the most violent war against organized labor anywhere in the industrial world (Goldstein, 1978; Norwood, 2002; Taft & Ross, 1969). While unions hung on in smaller shops and construction, they made virtually no inroads into the new corporate giants before the Depression beyond a very few niches for skilled workers within the growing swarms of industrial workers. Moreover, the craft-based American Federation of Labor could not even manage to organize the few corporate opportunities that occasionally presented themselves (Marens, 2012). As unions failed to make headway within the new corporate world, the development of a generalized employment-at-will doctrine around the turn of the 20th century left individual employees, including those in the new white-collar occupations, virtually without enforceable rights (Feinman, 1976).

The result by the end of World War I was a large population of giant corporations facing few legal or institutional restraints, especially with regard to the treatment of employees. A degree of regulation was imposed by state and federal governments, but outside of the railroad regulation, these tended to be mild and sometimes, as in the case of meat inspection or workers compensation, even supported to some degree by larger firms hoping to either reassure consumers, to reduce lawsuits or even to impose higher unit costs on smaller competitors (Barkan, 1985; Weinstein, 1981). This managerial autonomy was further bolstered by the self-confidence and resources generated by tremendous commercial success. At the time of the American Civil War, the nation was largely an exporter of minerals and agricultural commodities. By 1900, it was exporting as many manufactured goods as Great Britain, while simultaneously supplying a much larger and wealthier domestic market. Moreover, much of the U.S. growth in production and export belonged to the dynamic "high-tech" sectors of the time: locomotives, industrial machinery, electrical equipment, typewriters and farm machinery (Kirkland, 1961). European commentators warned of the growing American "menace" using the kind of terms that American pundits fearfully employed in the 1980s with regard to Japanese Toyotas and consumer electronics (Flint, 1901). There was at least one important difference, however, with later American fears regarding Japan. The wealth accumulated by this industrial success combined with the

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devastation of World War I led to the emergence of New York as the new financial capital of the world, a status Tokyo has never obtained, and that allowed continued American dominance of the world economy even after its relative industrial decline in the later years of the 20th century (Pollin, 2003). The new American corporate order had collectively accumulated vast economic power along with the legal autonomy to use as it saw fit.

Worries over these developments was not restricted to the American political left, or to liberal reformers, or even to alliances of the two factions, as in the efforts of Florence Kelley (1899) to unite consumers and workers, or to the Worker's Health Bureau's largely quixotic attempts to interest organized labor (predominantly craft-based at the time) to focus more on improving general working conditions (Rosner & Markowitz, 1989). While it may not be obvious today, the large corporation was hardly a "conservative" institution but in many ways a radical break with tradition and ideologically a threat to the myth of the individual proprietor that had pervaded American history, offering instead an unmanly dependence on the white-collar bureaucracies of these monopolist corporations (Davis, 2000). Judge Grosscup (1905), for example, who had displayed no sympathy to those Pullman strikers he had once sentenced to jail, warned in print about a decade after that strike that the new large corporations were posing a threat to the very entrepreneurship that Americans so cherished. Even as undeniable a product of big business as the second John Rockefeller (1916) worried, after the shock of the Ludlow Massacre, that the new steam and electrical technology that powered modern business had "by necessity erected large-scale barriers between employers and men, thus making it more difficult to understand each other" (p. 113). As America's leading "serious" newspaper columnist expressed it on the eve of World War I:

> In the last thirty years or so American business has been passing through a reorganization so radical that we are just beginning to grasp its meaning. At any rate for those of us who are young to-day the business world of our grandfathers is a piece of history that we can reconstruct only with the greatest difficulty. We know that the huge corporation, the integrated industry, production for a world market, the network of combinations, pools and agreements have played havoc with the older political economy. The scope of human endeavor is enormously larger, and with it has come, as Graham Wallas says, a general change of social scale.
>
> *(Lippman, 1914: 35–36)*

Creating CSR

The beginnings of CSR were an ideological response to all of these various concerns raised by a diverse set of critics regarding the impact of these large and autonomous corporations on American life. One can find precedents within corporate America dating back at least to Carnegie's professions of *noblesse oblige* in his *Gospel of Wealth*, published in 1889, when corporate consolidation was only beginning. By the beginning of the 20th century, a sizable minority of corporations had already experimented with a variety of employee uplift and welfare programs (Tolman, 1909; Tone, 1997). As long as control of the workplace was contested by employees, organized into unions or not, these various initiatives never really coalesced into any single of coherent view of the social responsibilities that should attach to the new business organizations. Carnegie himself was no longer credible as a spokesperson for enlightened capitalism after suffering the embarrassment of the shooting war at his Homestead works (Standiford, 2005).

It was labor peace that brought a more fully developed CSR into being, but it was the peace of conquest with CSR serving as a program of pacification. Having crushed organized labor's efforts to gain or solidify entry in the new corporate world shortly after the end of World War I,

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while increasingly bureaucratizing white-collar employment and neutralizing most regulatory tendencies that might have survived the short-lived Progressive Era, the leaders of American corporations felt compelled to define for a wary public how they intended to use their economic power and legal autonomy. To defend and consolidate these gains, corporate leaders needed to convince the American public that the rise of corporate domination was indeed a general boon for society, especially for employees, whom the firms still ultimately depended upon and, because of changes in immigration law, could no longer be replenished through waves of new arrivals (Slichter, 1929). William Leiserson (1929), an early academic expert on labor and employment relations, warned that even if large-scale labor unrest had become a thing of the past, business still needed to attend to a myriad of smaller-scale problems in dealing with employees, not only for good public relations but for the more pedestrian reasons of preventing turnover and improving efficiency. Avoidable industrial accidents, wage cuts, speedups, arbitrary treatment at the hands of supervisors and foremen and a general failure on the part of many companies to adequately share the prosperity they enjoyed hardly brought confidence in the ability of the new corporate order. These publicized failings ran counter to the rather explicit promise that the commercial promoters and their political allies had made during the course of the of the 19th century that a series of incremental extensions of the rights of corporations and incorporators (granting full limited liability, allowing holding companies, broadening corporate purpose) would bring economic prosperity to the entire society (Dodd, 1954; Roy, 1995). Moreover, the shock of the Russian Revolution made much of the American elite, from trust-busting Woodrow Wilson (1919) to the son of the builder of the greatest of all the trusts (Rockefeller, 1916), quite aware that the reaction to irresponsibility could even prove deadly. As even conservative economist Arthur Hadley (1896), who, while president of Yale actually encouraged his students to work as scabs (Norwood, 2002), warned, "Those who fear the effects of increased governmental powers must prove by their acceptance of ethical duties to the public that they . . . are preparing to accept the heavy burdens and obligations which the industrial present carries with it" (quoted by Heald, 1970: 29).

Business leaders responded with a mixture of advocating enlightened self-interest and calls for civic virtue. As early as 1896, the antiunion Hadley had actually argued that slightly higher wages than necessary for bringing in workers provided a competitive advantage over less generous employers, a sentiment echoed by the president of Studebaker a generation later, asserting that "[i]t is the duty of capital and management to compensate labor liberally, paying at least the current wage and probably a little bit more, and give workers healthful surroundings and treat them with the utmost consideration" (Forbes, 1924: 113). An editorial in *Forbes Magazine* (1917) had already turned this virtue into a patriotic duty, claiming that "[g]iven their [employees'] power to help or hinder a firm, the employer who does not do everything in his power to satisfy his men is not only short-sighted from his point of view but is an enemy of national peace and harmony" (p. 112). And a decade later, the publisher of that same magazine complained under his own byline that this sage advice was too often ignored, with too many workplaces still tending "to breed socialists, communists, and other unwholesome agitators" (Heald, 1970: 107).

Some workplaces did try to satisfy and motivate their workers with a variety of representation plans, corporate welfare programs, various benefit packages and sometimes higher-than-market wages. As might be imagined, the seriousness of these efforts varied enormously, from Gerard Swope, president of General Electric, a one-time tutor at Hull House and an acquaintance of Florence Kelley, offering to allow union representation for his employees if the unions could agree on a single union to serve as the counterparty (they couldn't agree), to the sham works councils of International Harvester used to cover up rapacious personnel policies (Ozanne, 1967). Even when sincerely implemented, however, these programs often proved to be valued considerably less by

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employees than their would-be benevolent managers anticipated. Works councils at Ludlow and an employee subsidized stock plan offered by U.S. Steel may have indeed been appreciated to some degree, but neither prevented strikes at either company over working hours and pay (Selekman & Van Kleeck, 1924; Tarbell, 1925). Even where pay was significantly more generous than necessary to simply bring workers into the plant, most famously at Ford Motor Company, the quid pro quo was often an intensified working pace (Toller, 1930).

Still all of this effort, or professed effort, at better employment relations did pay off in public relations. Looking back on the eve of the Depression, Owen Young (1929), chair of General Electric, argued that after a generation of trial and error, large firms had not only mended their ways but had actually become far more considerate of employee welfare than smaller firms. National Cash Register, a usually enthusiastic promoter of corporate welfare, was largely forgiven its monopolistic practices on that account (Sealander, 1988). Nor was blue-collar labor the only target of supposed managerial beneficence. Corporate white-collar job ladders, denounced by critics as deadening bureaucracies, were now framed, not without some truth, as opportunities for ambitious men who would otherwise lack the capital to compete as entrepreneurs (Davis, 2000). Heinz and Hershey, among other food and clothing manufacturers, even tied enlightened personnel policies to the wholesomeness of their products (Tone, 1997).

From this use of supposedly progressive personnel policies as a societal boon, it was a fairly short step for the more thoughtful business leaders to argue for a new way to look at the large corporation. Young (1927) told one Harvard audience:

> We think of managers as no longer partisan attorneys of either group [capital or labor] against the other. Rather we have come to see them as trustees of the whole undertaking, whose responsibilities are to see to it on the one side that the invested capital is safe and that its return is adequate and continuous, and on the other side that competent and conscientious men are found to do the work and that their job is safe and their earnings are adequate and continuous.
>
> *(p. 392)*

Other executives expressed similar views. Not surprisingly, these included his subordinate, Gerard Swope, who argued that both the public and employees should be considered ahead of stockholders. Robert Wood Johnson, of Johnson & Johnson, echoed these sentiments, declaring:

> It is to the enlightened self-interest of modern industry to realize that its service to its customers comes first, its service to its employees and management second, and its service to its stockholders last. It is to the enlightened self-interest of industry to accept and fulfill its share of social responsibility
>
> *(Quoted by Foster, 1999: 224).*

Swope, Young, and Johnson were unusually liberal for corporate executives and, to varying degrees, supporters of the New Deal, but even Liberty Leaguer Alfred Sloan (1941), a harsh critic of Roosevelt, acknowledged in his memoirs that "industrial management must expand its horizon of responsibility. . . . It must consider the impact of its operations on the economy as a whole in relation to the social and economic welfare of the entire community" (p. 145). Other celebrity executives of the time echoed these sentiments. Eastman argued that anything for the betterment of humanity is good business, while Heinz saw his food company as being responsible to grocers, employees and customers as well as to stockholders (Heald, 1970). Gary, hardly a bleeding heart, saw himself as "occupying a position of balance among . . . investors, employees,

customers, competitors, and all others who may be interested in, or affected by, the actions or attitudes of the managers" (Tarbell, 1925: 100).

While little remembered today, the so-called Roaring Twenties was a period in which corporate managers were sufficiently autonomous from pressures from government, investment bankers, and labor unions to develop their own definition of their responsibilities. While Berle and Dodd conducted their academic debate as to whether this was a good or bad thing, one issue that they agreed upon was that corporations owed their employees some degree of security and shared prosperity (Marens, 2010). Ironically, when managerially driven CSR was revived in both the business and academic worlds a half-century from the beginning of the Depression, this would be the element that would not be resuscitated.

Pluralist interlude

With the coming of the Depression, the New Deal, industrial unionism, hot and cold wars and fiscal demand management, the social, political and economic environment changed for the American corporation and, with it, the autonomy of corporate managers to decide for themselves exactly where their responsibilities lay. Instead, for the duration of that first postwar generation, corporate social responsibilities were defined in the context of pluralism, that informal and ultimately transitory Americanized version of European-style corporatism, in which various organized interest groups – churches, universities, agriculture, trade associations, along with corporations and labor unions – would alternately compete and cooperate, refereed by a mildly regulatory state that would energize the process when necessary with moderate Keynesian demand management. While this may have been a simplified and idealized view of reality, there was some truth to it (Schattschneider, 1960), and, realistic or not, it was at least a broadly accepted ideal (Bell, 1960).

In such a setting, it was unsurprising that the focus of discussions of the responsibilities of corporations would shift from what enlightened corporate executives would decree to what the society itself would demand or expect from the managers of these enterprises. With the expansion of postwar higher education, especially business schools vying for a legitimate place in the university, academics would increasingly involve themselves in this discussion, but it actually began outside of it, in such places as *Human Relations in Modern Business* (Biggers, 1949), a booklet produced by a consortium of business, labor and clergy organized by Robert Johnson, organized around the guiding principle of "Co-operation, not conflict" (p. v). The publication was excerpted in *Harvard Business Review*, which published a similarly themed piece two years later, ostensibly authored by Frank Abrams (1951), CEO of Esso (now Exxon), and the first of several CSR pieces the journal published during the 1950s, although many of the others would be written by academics.

The scholars who turned to the topic during the 1950s were typically specialists in industrial relations or macroeconomics with some background in government, labor union or foundation work that endowed them with some knowledge of how businesses actually interacted with other institutions. Contributors to this discourse included Howard Bowen, Neil Chamberlain, J. M. Clark, Ernst Dale, Peter Drucker, John Kenneth Galbraith, James Kuhn, Karl Kaysen, Sumner Slichter and even the generation-older Ben Selekman, who had conducted studies with working-conditions reformer Mary Van Kleeck in the early 1920s (Selekman & Van Kleeck, 1924). A very few academic philosophers also contributed (Brown, 1983), but considerations of the morality of business practices were largely the province of industrial relations and economics specialists. *A Moral Philosophy for Management*, for example, which ran through five editions between 1959 and 1963, was written by Selekman (1959), a pioneering industrial relations scholar.

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For the postwar generation of scholars, discussing corporate social responsibilities was a sideline to their "serious" scholarship and was often targeted to students or a general audience in either the *Harvard Business Review* or through books, often published by that Taylorist reformer and early human resources educator Ordway Tead, working at Harper & Brothers. A handful of younger academics, however, attempted to establish instead a new academic discipline within business schools during the 1960s and 1970s with the aim of studying both the normative and empirical aspects of the impact of business upon society. "Business and Society," as the field was generally known (sometimes expanded to "Business, Government, and Society"), attempted to institutionalize itself with specialized courses, PhD programs, conferences and founding both an academic (*Business & Society*)and a practitioner-oriented (*Business and Society Review*) journal, but with only limited and isolated success in establishing itself as a full-blown discipline. Its novelty and institutional uncertainty generally failed to attract better scholars away from established disciplines or law schools, especially since there was a reasonable degree of uncertainty as to the degree of intellectual freedom that a new scholar could expect within a business school environment (Marens, 2010).

The 1950s cadre of CSR scholars did not agree on every point, but they were typically quite skeptical about the propriety or ability of corporate executives to define their own social responsibilities. Howard Bowen (1953), in writing what has been regarded on the founding text of the study of CSR asserted, "The businessman's viewpoint is that management should function as a trustee mediating among the several interest groups, but that the power of decision-making should rest exclusively with management . . . is . . . just another application of the familiar but discredited doctrine of benevolent use of power" (p. 42). Economist Karl Kaysen (1957), who would serve in the Kennedy Administration, echoed Bowen's opinion in even harsher terms:

> But what management takes into account is what management decides to take into account, and however responsible management policy is, it is responsible only in terms of the goals, values, and knowledge of management. No direct responsibility, made effective by formal functioning machinery of control, exists. No matter how responsible managers strive to be, they remain in the fundamental sense irresponsible oligarchs in the context of the modern corporate system.
>
> *(p. 316)*

While others may not have used such blunt language, business leaders and the business school administrators who catered to them were unsurprisingly suspicious of intellectuals accusing them of discredited doctrines or even irresponsible oligarchy. Bowen himself was briefly the victim of the Red Scare when he was pressured to abandon the deanship of the University of Illinois School of Business after charges of "radicalism" (Solberg & Tomilson, 1997). While the era of explicit McCarthyism ended by the late 1950s, the rise of the social movements of the 1960s provoked a new reaction a decade later, exemplified in the infamous future Supreme Court Justice Lewis Powell's (1971) letter to the United States Chamber of Commerce, in which he accused reformers and liberals of posing a far more serious threat to the business establishment than "upfront" socialists and communists. As the seventies preceded, and as business leaders felt increasingly harried by Naderites and environmentalists as well as becoming more overtly hostile to unions and Keynesian stimulation (both of which they blamed, not entirely unfairly, for inflation and lack of competitiveness on world markets), the business establishment was hardly tolerant of suggestions that it required further constraints to ensure responsible behavior (Marens, 2010). Typical of the era were both the transformation of the once mildly Keynesian think tank, the Committee for Economic Development, toward an antiregulatory stance due to pressure from its corporate

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patrons (Clark, 1976; Collins, 1982) and an article written by the CEO of a defense contractor "Corporate Support of Education: Some Strings Attached" (Malott, 1978), advocating, without any apparent irony, the teaching of more laissez-faire economics in American universities.

In reality, the corporate leadership had little to fear from the first group of full-time business and society scholars who had begun to make their way into business schools during the 1960s. Whether it was because they lacked the experience or sophistication of their "part-time" 1950s predecessors or because they engaged in self-censorship to survive in business school settings, the result was a body of work that was generally unthreatening. They did, however, make the decision to broaden their own ranks by recruiting moral philosophers into their world, and some of these newcomers proved more feckless, at least initially. Often inspired to analyze the ethics of business by the enormous success of Rawls's *Theory of Justice*, a defense of egalitarian and democratic economic systems, these philosophers came to the subject with the presumption that "ethics had implicit in it standards that were independent of the wishes of corporations." According to one of these business ethics pioneers:

> Those in business ethics did not see ethics as coming after economics and law but as restraints on economic activity and as a source for justifying law and for proposing additional legal restraints on business when appropriate. As a result business ethics and business ethicists were not warmly received by the business community, who often perceived them as a threat – something they could not manage, preaching by the uninformed who never had to face a payroll.
>
> *(DeGeorge, 2005, p. 22)*

The second wave of academic philosophers who followed these business ethics pioneers would learn the lesson of this rejection well.

Non-consequentialism with a vengeance

By the early 1980s, top management at many major American corporations were actually facing a far more objectively deadly threat to their own careers than that posed by pesky reformers or demanding labor leaders. Attacks from shareholder activists, corporate raiders and their allies in the finance professoriate were taking their toll with a new, well funded argument. For these attackers from what might be considered the political "right" (Clawson, Neustadtl & Weller; 1998; Pollin, 2003), the problem was not that corporate executives were failing to fulfill their broad set responsibilities but that they were ignoring their single, supposedly inviolable obligation to stockholders to do whatever they legally could to raise the price of shares. Whether through coincidence or shrewd observation, a small group of moral philosophers saw their opportunity to offer to help rescue these besieged executives by offering to legitimize their power and autonomy, provided that they agree to wield these in an ethical manner through the heuristics that these ethicists would provide. By acknowledging executives' right to guide their companies largely free of interference from impatient stockholders, greedy unions or meddlesome regulators, these ethicists intended to guide corporate managers toward ethical leadership and thus use their managerial autonomy to benefit both corporations and the larger society in ways that regulators or union officials could not hope to match and that the more short-term-focused investors and investment managers were unconcerned with matching.

These philosophically trained ethics "entrepreneurs" actually had very little experience with business or even with government or labor unions, in sharp contrast with the postwar generation of business and society academics. But they seemed to understand, at least implicitly, how

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patronage had worked down the ages for moral philosophers, whether it be Aristotle serving Philip and Alexander, Locke residing in the household of one of England's largest landowners, or even Kant writing hagiography to Frederick in the hope, ultimately vain as it turned out, of an invitation to Berlin (Kuehn, 2001; Marens, 2011). This new cadre of ethicists emulated these icons and broke with practices established by the first wave of business and society scholars by making corporate executives subjects, not objects, of ethical analysis, assuming the point of view of the top executives of American corporations. They would do for these executives what Young, Swope, Abrams, Johnson, Heinz, Eastman, Johnson and even Rockefeller Jr. had done for themselves, or at least allowing their names to appear in the byline.

They departed from this earlier group, however, in one crucial aspect. Even though corporate America had by the 1920s successfully defeated organizing labor, employees' legal challenges and the great bulk of workplace regulation, it still required the cooperation of its employees, and so there was a great deal of attention paid to the need to offer, or at least claim to provide, secure, well compensated, humanized employment. While these goals were often honored in the breach, there was some degree of specificity with regard to discussions of pay, job security, welfare programs, benefits and the like, subjects that were also strongly emphasized by the postwar business and society academics. Concerns for the welfare of employees, however, were reduced to vague generalities by the post-1980 generation of business ethics (and what remained of business and society) scholarship because the need to mollify employees was no longer viewed by top managers as crucial to their own success, and the new cohort of business ethicist possessed neither the necessary knowledge nor the integrity to advocate for employees. The rise of globalization, the political defeats of organized labor, the increased practicality of moving both manufacturing and white-collar work abroad and a sense that American labor was earning more than it deserved – all meant that employee buy-in was regarded as less important than it had been in the past. What mattered was the perception of a company's "value" – that is, "stock price" – and a firm viewed as overly generous, such as Costco, faced skepticism in the financial markets with regard to its future (Holmes & Zellner, 2004). Moreover, given the increasing malleability of accounting numbers, there were more certain ways of attracting investment and enhancing "value" than putting one's hopes in the vagaries of a high-road sharing of prosperity with employees (Partnoy, 2003). Whether by chance or design, the new generation of business ethicists benefited from failing to broach such a touchy subject with their patrons.

Ethicists focused instead on promoting abstract prescriptions as to how to manage both effectively and ethically by applying virtue ethics (Solomon, 1992), social contract theory (Donaldson, 1982) and Kantian deontology (Freeman, 1984). In this, they followed historical precedent. Aristotle was quite explicit that only men of leisure would have the opportunity to cultivate virtues (Wood, 2008), while Locke (1697), who despised the poor, restricted his argument for political rights, up through the right to overthrow a king, to those who owned property (Becker, 1992). Even Kant rarely missed a chance to flatter his king, arguing that he was wiser than any Parliament, and what Kant (1967) praised as Frederick's tolerance of argumentation and disagreement, provided it was followed by strict obedience, could serve as the template for the modern workplace "empowerment" programs that ethicists praise (e.g., Goodstein & Wicks, 2007; Rehbein, Waddock & Graves, 2004).

Much as business and society scholars of the 1950s published nonacademic books to promote their pluralistic view of CSR, two nonacademics books by philosophers, one by Donaldson (1982), the other, later but more widely read, by Freeman (1984), began this process of offering advice to managers, implicitly accepting as legitimate their power and autonomy to make major moral choices. Reflecting this thrust, the Society of Business Ethics, originally founded in 1980 as part of the American Philosophical Association, switched its meeting time and location in 1989

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to coincide with the Academy of Management meetings. What the new business ethics asked of executives was never made concrete: executives would honor the interests of "stakeholders" and somehow referee whenever interests of different stakeholders came into conflict. Exactly how stakeholders would come together and present their agenda was largely left unexamined, although Freeman, writing with Evan (a sociologist), did endorse the idea of board representation, although he has neither pursued the idea nor explained its mechanics over the ensuing generation (Freeman & Evan, 1990).

Alternatively, executives were urged to comply with implicit social contracts that the executives themselves would deduce or define (Donaldson & Dunfee, 1995), or possibly fulfill a set of Aristotelian virtues that were as banal as they were venerable (Solomon, 1992). Like William Frederick (1998), possibly the leading figure of the second generation of business and society academics who emerged during the 1960s, these business ethicists, whom he had at one time encouraged to become involved with business studies, "continued devotion to the noncontextualist abstractions found in the lore of conventional philosophy," requiring a "nearly studied ignorance of what has actually taken place within the American business world" (p. 44).

This ignorance proved useful in fulfilling the prophecy of Richard DeGeorge (1991), a philosopher at the University of Kansas and host in 1974 of what might have been the very first business ethics conferences: "[i]f Business Ethics is tailored to the wishes of established business, then it will become the inculcation of established norms, a handmaid of business's vested interests, and it will cease to have the objectivity and critical function that justifies it as an academic field" (p. 49). Kahn's (1990) study of the *then* new field of business ethics, presumably researched a couple of years before its publication date, reported a professed interest among business ethicists in applying social science to their scholarship and making it truly interdisciplinary. With the exception of a smattering of social psychology, however, business ethicists continued to studiously avoid the relevant empirical social science generated outside of business schools. Hiding behind the nonconsequentialist rule-based approach to ethics, ethicists avoided the sources of "accumulation by dispossession" that has run rampant between the 1960s to 1990s. One would search in vain for informed discussion within this literature regarding any number of topics that would presumably raise all kinds of ethical issues: union avoidance or elimination, reductions in benefits coverage, upper redistribution of income, the politics of deregulation, the operation of the military (or prison) industrial complex, the constant downward pressure on taxes, the forcing of employees to train their outsourced replacements in return for severance pay or the extortion of state and local governments for relocation or even "stay put" subsidies (Armour, 2004; Brofenbrenner, 1994; Clawson, Neustadtl & Weller, 1998; Leroy, 2005; Logan, 2002; Melman, 1987; Mishel, Bernstein & Shierholz, 2009; Partnoy, 2003). Ethicists and the remaining social science–oriented business and society academics prefer to focus on such banalities as bribery (bad) or philanthropy (good). While existing laws and regulations are mentioned from time to time, virtually no business ethicist has been so rude as to bring up the political undermining of proposed regulation or the flouting of extant ones.

Ethical progress in such law-driven areas as discrimination, product safety and pollution is ballyhooed, but the logical conclusion that further laws or additional regulations may generate even more gains is simply never drawn (Marens, 2011). For all the teeth-gnashing over the short-term pressures that Wall Street supposedly puts on corporate management to turn them away from ethical management, no ethicist is so radical as to endorse Nobel laureate James Tobin's transaction tax, meant, in part, to make ownership of stock a more permanent decision. This aversion was on full display when the Ethics Institute of the Business Roundtable – an institute run by academics on behalf of an organization for CEOs that was initially formed to block legislation to make it easier to organize unions (Mills, 1979) – issued its study on "short-termism," which made no mention of such a tax (Krehmeyer, Orsagh & Schact, 2006).

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Moreover, in a supposedly globalized marketplace, used to justify the increasingly rapacious treatment of American workers, other nations are rarely mentioned except as the objects of American-based management. One would be hard put to find a suggestion that the United States, as a society, might learn something from CSR practices initiated elsewhere. For American business ethics, there is simply no conceivable alternative to the American version of contemporary capitalism. Even its Canadian neighbor's single-payer health insurance, which has attracted some businesses because it relieves them of a major uncertainty (Krugman, 2005), would never be broached because it would eliminate a source of profits for the insurance industry, while empowering workers to exit and government to further tax and regulate. Germany's works councils, which might well have contributed to the nation's far stronger ability to hold onto high-wage manufacturing and which is generally regarded positively by German executives (Wever, 2008), are apparently an unknown entity to stakeholder enthusiasts, even though one might think they would embrace a stakeholder institution within a highly successful economy. Yet at a Society of Business Ethics meeting a few years back, among the few items left in the publishers' display room at the tail end of the conference closing giveaway were several copies of a special issue on works councils by the *British Journal of Industrial Relations*. One can only assume that business ethicists either do not know what works councils are, or they are well aware that they would be viewed negatively by corporate executives as an unwanted government interference that forces management to share power in certain spheres with their employees.

What little discussion of the real world that occurs in the literature is essentially framed as a Manichean struggle. There are occasionally discussions of "bad" firms: the tobacco companies, Enron, WorldCom and other scofflaws, along with perhaps a few others, such as Walmart, which are singled out as rapacious. On the other side is the firm whose leadership promotes an ethics program or claims some kind of fidelity to stakeholder relationships, essentially relabeling paternalism as stakeholder management. Evidence that might expose these claims to skepticism is simply ignored. Hence we read about Johnson & Johnson's handling of the Tylenol crisis a generation ago, Starbucks' partnership with its employees, Royal Dutch Shell's environmental sensitivity, the late Robert Galvin operating Motorola as a paragon of stakeholder management, or even praising Citibank for instituting an ethics program a few years before the collapse of financial markets (e.g., Goodstein & Wicks, 2007; Lawrence, 2002; Post, Preston & Sachs, 2002). On the other hand, the literature has literally nothing to say about the recent Johnson & Johnson factory scandals (Thomas & Abelson, 2012), or the reasons Starbucks has been convicted in three states of retaliating against union organizers (Allison, 2009), or how Galvin kept dossiers on Americans who opposed military spending, fought unionization and allowed Motorola to become the first major corporation to impose a drug test on its employees (Marens, 2006). As for lionizing Citibank's alleged turn to the ethical side of the force in the early 21st century, this should hardly require further comment (Enrich & Mollencamp, 2007; Partnoy, 2003).

Theoretically, business ethics need not have gone down the sycophantic road, at least not so far down. Within the 2500-year tradition of Western ethical writings, alternative models might certainly have been pursued. Smith and Mill are honored by every single business ethics textbook, and it would be impossible to paint either as "antibusiness." Yet Smith's skepticism of restraint of trade and corporate boards (and a degree of sympathy for workers' weak bargaining position vis-à-vis "combinations of masters"), and Mill's sympathy for workers' struggles, the need for all groups to self-protect and not simply depend on the benevolence of their social superiors (although he was hypocritical on this point when it came to India) and his willingness to try to weigh the evidence in ambiguous situations – would put them beyond the pale for "serious" business ethics. One might think that, given contemporary controversies that culminated in the Occupy movement, John Rawls's (1971) central concerns regarding a fair distribution of income

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and the erosion of democracy by wealth would be constantly cited, especially since he is easily the most cited contemporary philosopher in the business ethics literature. In actuality, very few ethicists apply Rawls this way; Harris (2006) and Hsieh (2009) provide rare exceptions. The overwhelming majority of citations to Rawls either are a passing mention or invoke "the veil of ignorance," his heuristic for establishing social rules. In fact, when ethicists do occasionally invoke his "difference principle" regarding fair distribution, it has been applied to a variety of subjects – bribery, immigration, access to health care, rulemaking and so on – but almost never to the distribution of income.

But as a practical matter, if the field had conducted closer scrutiny on the actual record of the aggregated decisions of corporate executives, it might have faced extinction, at least within business schools. In the era of financial hypertrophy, in which governments are expected to subsidize but rarely tax and almost never compel, a posture that offered "constructive criticism," let alone "loyal opposition," would never have gained traction. Tenure in business schools, ethical consulting gigs, endowed chairs and places at the Business Roundtable's Institute for Ethics were not intended for skeptics, let alone critics. Howard Bowen (1978), hardly a radical but a supporter of unions, Keynesian fiscal policies, and some degree of government regulation, gave up on corporate social responsibility as early as 1978, even before American wage stagnation was clearly underway. It became clear that business and financial leaders, along with most of the politicians they support, encouraged policies that would allow them to pocket the gains that businesses accrued, sometimes by paying their own employees or contractees less, sometimes by exploiting government procurement, research, or even direct subsidies and sometimes by simply cooking the books and exploiting the gullibility of the managers of institutional investments, many of whom are responsible for handling the retirement capital of workers. Even these pension funds themselves have been routinely looted in a more direct manner to the benefit of top management (Schultz, 2011). In a lucky-you-have-a-job world, irrelevant philosophical babble was all that ever had a chance of selling.

Note

1 "Corporatist" is used here in the political sense of the word, not as a reference to business corporations.

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