

Guest Editor's Introduction

Normative Business Ethics in a Global Economy: New Directions on Donaldsonian Themes

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THE BOOK OF ECCLESIASTES contains an idea that can demoralize people who aim to be clever: that there is nothing new under the sun (Ecclesiastes 1:9-14). The idea may seem particularly apt for those of us working in business ethics. People have been arguing about business ethics forever, disputing the fairness of a price, whether a merchant duped her customer, whether an employee was wrongly terminated, and so on. Given the endless history of business ethics casuistry, how can anything novel occur? Thomas Donaldson's work offers an answer. Donaldson helped change the way that we think about business ethics. Rather than treat business ethics as a kind of informal casuistry, he showed how substantial theoretical constructs could be useful in business ethics.

Donaldson has written about an extraordinary range of topics over the last thirty years, including: normative theories of the purpose of the corporation such as social contract theory and stakeholder theory (e.g., Donaldson 1982, Donaldson and Dunfee 1999, Donaldson 1999, Donaldson 2011); responsibility in the financial services industry (e.g., Donaldson 2008); epistemology in economic interpretations of business (e.g., Donaldson 2012); responsibilities of firms operating across international borders (e.g., Donaldson 1989, Donaldson 1994); and social mores, social contracts, and economic life (e.g., Donaldson 2001, Donaldson 2010). His writing in each of these areas inspires business ethics scholars, not only because of the importance of his ideas, but also because he combines an analytic rigor with knowledge of global markets and firms. Consider three representative examples of his scholarship.

First, Donaldson demonstrated that perhaps the most powerful model in the history of moral and political thought, the social contract, could illuminate many recalcitrant problems in business ethics. The idea of a social contract is ancient, extending back at least to Plato's *Crito* (1961). It is a staple of modern political philosophy, playing an important role in work by Hobbes (1994), Rousseau (1987), and Kant (1999). The preeminent political philosopher of our time, John Rawls (1971), makes the social contract the centerpiece of his view. The idea of the social contract, very roughly, is that by considering the possibility of a hypothetical agreement among people, in which they aim to structure their society and to assign individual rights and responsibilities, we can gain insight about the nature of a good or just society, insight that should help assess our own society. Donaldson's deployment of the social contract came in two distinct stages. The first stage, represented by *Corporations and Morality* (1982),

takes a largely a priori view of the social contract, elaborating its content through thought experiments, leaving little room for empirical considerations. The second stage, represented by Donaldson's collaborative work with Tom Dunfee in *The Ties That Bind* (1999), takes empirical considerations more seriously. *The Ties that Bind* proposes a version of the social contract that has contractors agreeing to cede moral authority to some norms that vary across cultures. The authority of such norms is determined, in part, by empirical considerations. In both his versions of social contract theory, Donaldson appeals to the norms that the social contract endorses as a way to approach concrete problems in business ethics.

A second area exemplifying the role of theory in Donaldson's work concerns the corporation's status as a responsible agent. While some authors argue that the corporation seems to make choices in ways that qualify it for status of a person, Donaldson expresses doubt on this score, and defends an alternative interpretation of the corporation (1982). On Donaldson's view, the corporation cannot be a person, because it lacks some of the requisite moral attributes of personhood, but it can nonetheless be a responsible agent.

The third area of theory I will mention involves, in my view, both Donaldson's most practical contribution to business decision-making and his most conceptually challenging deployment of moral theory. Donaldson offers a model of moral reasoning, rooted in Kant's universalizability principle, that aims to provide guidance on moral decision-making for people who act in social and cultural environments that differ from their own. He defends a moral principle that answers hard moral questions—including, e.g., questions about morally acceptable wage and safety standards in poverty-stricken countries—while purporting to respect both cultural differences and universal human rights (1989, 1999). This work on moral principle is consonant, as I see it, with Donaldson's work on the social contract.

Donaldson was not, of course, alone in bringing a new level of theoretical sophistication to business ethics. Patricia Werhane, Norman Bowie, R. Edward Freeman, Tom Dunfee and others in his "cohort" also deserve great credit for changing the way that we think about business ethics. But because of his eloquence, rigor, and sophistication, Donaldson's work has played a unique role in inspiring a generation of business ethics scholars to think imaginatively about the role of theory in business ethics reasoning. Articles in this issue confirm the power of his work.

Margaret Blair, in her article, "Of Corporations, Courts, Personhood, and Morality," identifies a tension in recent corporate jurisprudence. On the one hand, the Supreme Court identifies many corporate rights that protect corporate purposes beyond profit-making, including rights of political participation and religious practice; on the other hand, courts increasingly identify shareholder wealth maximization as the predominant corporate goal. But if corporations are simply about making money for shareholders, why care about the right to practice religion or make political statements? Blair explains the difficulties in resolving this tension and looks to Donaldson's social contract model as an alternative for understanding the rights and purposes of the corporation.

Nien-hê Hsieh, in "The Social Contract Model of Corporate Purpose and Responsibility," surveys the critical literature on Donaldson's use of social contract theory, and concludes that it contains much insight. In particular, he considers the

arguments that Donaldson's use of social contract theory is indeterminate in ways that preclude him from reaching the main conclusions in business ethics he seeks to prove. Hsieh offers several interesting attempts to limit the alleged indeterminacy in Donaldson's social contract model, but argues that the modifications don't bring Donaldson closer to his desired conclusions.

In their article, "How are Ethical Values Related to Economic Prosperity?" Peter Jennings and Manuel Velasquez credit Donaldson for his investigation of how moral values play a role in economic success, but suggest that the discussion of ethical values can be strengthened by considering the role that social institutions play in the relation between ethical values and economic performance. They propose a complex institutional framework that draws on social science in order to develop Donaldsonian ideas in new ways.

In "Can Hypernorms be Justified? Insights from a Discourse-Ethical Perspective," Andreas Scherer raises doubts about the role of universal moral norms (hypernorms) in Integrative Social Contract Theory (ISCT), the version of social contract theory that Donaldson developed with Tom Dunfee. Neither Donaldson nor Dunfee provide a convincing argument for the existence of hypernorms, Scherer contends. He takes on the instructive task of explaining how the leading figures in discourse theory, a set of recent developments deriving from German philosophy, can be helpful in understanding the status of putative universal moral norms.

In her article "Denying Corporate Rights and Punishing Corporate Wrongs," Amy Sepinwall aims to vindicate an idea she attributes to Donaldson: that even if corporations are not moral persons, they nonetheless have substantial responsibilities. Along the way, she argues that arguments about corporate personhood are beside the point. Sepinwall reminds us of the possibility that, at times, nobody within a corporation commits a relevant wrong, but wrongdoing nonetheless, emerges from the firm, thus justifying us in prosecuting and punishing the corporation. The possibility of these moral phenomena, she further maintains, shows that reasonable judgments about corporate responsibility are independent of moral claims about personhood, thus vindicating Donaldson.

In "Inverting Donaldson's Framework: A Managerial Approach To International Conflicts Of Cultural And Economic Norms," Andrew Stark proposes an ingenious twist on a model of moral reasoning that Donaldson developed. This model offers a way to think about moral decision-making in countries whose norms seem different from our own. Stark proposes a refinement of Donaldson's model. While Donaldson asks how we should respond to differences in norms when those differences are explained by differences in culture, Stark suggests that it matters, in ways that Donaldson doesn't recognize, why the differences in culture exist and how they are likely to evolve. Asking about the historical trajectory of these differences, Stark suggests, makes salient important moral considerations too easily overlooked in Donaldson's model.

Danielle Warren, Marietta Peytcheva, and Joseph P. Gaspar use aspects of Integrative Social Contracts Theory to address a stubborn problem in business ethics: how to make sense of conflicting moral prescriptions coming from different apparent sources of authority within a business organization. In their contribution,

“When Ethical Tones at the Top Conflict: Adapting Priority Rules to Reconcile Conflicting Tones,” they propose that in trying to resolve conflicting prescriptions, an employee may reasonably rely on ISCT’s priority rules, which Donaldson and Dunfee model after the law treating conflicts within a legal system. Donaldson and Dunfee notice that just as laws in different jurisdictions may conflict, so too can moral principles emerging out of different national or cultural groups conflict. They use the well-developed jurisprudence of conflicts as a model for understanding conflicting moral principles. Warren, Peytcheva, and Gaspar explore the possibility of extending this model to cover moral conflicts arising from within a business organization. There is an interesting empirical question whether these rules for handling conflict, which are complex, can guide business decision-making. The authors explore ways to address that question.

In reading through the essays in this issue, one is struck by the fact that while many of the authors find Donaldson’s work a platform for their own work, other authors find Donaldson to be wrong on some fundamental point. This should be no surprise. The mark of an interesting thinker is not that his work commands consensus. It is instead that his work triggers insightful discussion and intelligent debate. These essays offer evidence that Donaldson is quite interesting.

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