A KANTIAN THEORY OF CAPITALISM

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Some years ago Ed Freeman and William Evan wrote an article offering a Kantian stakeholder theory of corporate responsibility. Ed was kind enough to allow Tom Beauchamp and me to publish that previously unpublished piece in the second edition of *Ethical Theory and Business*. That article has appeared in every subsequent edition. But a Kantian theory of stakeholder relationships is not, I believe, a complete Kantian theory of the modern corporation. I believe Ed originally intended to expand that paper into a larger project but Ed's philosophical interest in pragmatism has distanced him from Kantianism and his writings in stakeholder theory have gone in a different direction. Indeed in this postmodern feminist anti-foundationalist age, Kant is very much out of fashion. Since I am always out of fashion I had no trouble promising Ed I would complete the Kantian piece of the project. This essay is the condensed version and a partial fulfillment of my promise. A Kantian always keeps his promises.

Fitting into the Carlson School of Management culture at the University of Minnesota was another reason for writing this essay. At Minnesota I learned it was not sufficient for my colleagues simply to collect data and formulate hypotheses in order to succeed in the promotion and tenure game. To succeed in that game one's empirical research had to be theory based. That is, one had to come to the research project from the perspective of some theory: e.g., transaction cost economics, institutional theory, or network theory. I ignore the fact that generating scientific theory inductively from studying data is a traditional and perfectly legitimate way to formulate theory. Rather than argue what constitutes good philosophy of science, I decided to apply Kantian normative theory to capitalism. Just as the simple collection of data does not constitute a research agenda, a set of disparate normative judgments regarding ethical issues in business, e.g., that insider trading is wrong or that many mergers and acquisitions are morally permissible, does not constitute a coherent research position in business ethics. This essay then asks what a modern corporation *ought* to look like if it were organized from the perspective of Kantian moral philosophy.

As I began work on this essay, I read Omar Aktouf's fascinating piece "Management and Theories of Organizations in the 1990's: Toward a Critical Radical Humanism?" in *The Academy of Management Review*. The vision of a humanistic business organization that Aktouf outlined there was inspiring but, contrary to Aktouf's claim, Marx was hardly the historical figure to provide substance to the vision. Rather Kant is surely that figure or so I shall argue.

In this essay I will briefly argue that Kant's first formulation of the categorical imperative provides a theory of moral permissibility for market interactions. Interactions that violate the universalizability formulation of the categorical imperative are morally impermissible. Interactions that are consistent with the

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universalizability formulation are permissible so long as they do not violate any other moral principles. The second formulation of the categorical imperative- the respect for persons formulation provides the basis for a more robust theory of moral obligation in personal market interactions. At a minimum labor cannot be treated as a commodity like land, money, and machines. All persons in a market transaction must be treated with respect. At a maximum, an imperfect duty to respect persons might require an obligation that the business firm provide its employees with meaningful work. The argument for this contention is supported by both the respect for persons formulation of the categorical imperative and other material from Kant's writings on ethics. The third formulation of the categorical imperative, which I shall call the moral community formulation, provides the foundation for a moral business organization.[2] Lastly I will contend that Kant's general Enlightenment moral position supports the goal of an international business community free of war and particularist strife be it religious, ethnic, or nationalistic. Business adherence to Enlightenment ideals will enable business to play a positive role in building a moral world community. Such optimism is characteristic of Enlightenment thought.

Several caveats are in order. First, Kant wrote nothing about capitalism and corporations and little about even elementary business transactions.[3] In his lectures on ethics which have come down to us as notes taken by his students, he did speak on the nature of wealth and on the comparative evils of miserliness and avarice. We will explore Kant's thoughts on these matters in the section on the second formulation of the categorical imperative.

Second, I am simply using Kantianism as a theoretical normative framework for telling a story about what a Kantian vision of capitalist business organizations would be like. I am not claiming that this is how capitalism is; rather I am providing a vision of what capitalism ought to be.

Third, although I am not describing capitalism, I do not wish to be considered Utopian. I believe a Kantian theory of the modern corporation is possible because it could be workable and profitable. Kant accepted the dictum that "ought implies can." Of course as a Kantian one would not attempt to reform capitalism because it would be more profitable; one would attempt to reform capitalism because doing so would be the morally right thing to do.

Lastly I do not believe that the Kantian vision is the only reasonable moral vision that it is possible to have. For example, Robert Solomon has an articulate and inspiring Aristotelian virtue ethics vision.[4] However, in this intellectual epoch where the Kantian story is so out of fashion, at a minimum I think Kant's vision is worth developing at least to get it in the record so it might be rediscovered in an historically more appropriate time. More positively, whatever the shortcomings of the Kantian vision, a Kantian theory of capitalism might have some important insights that the other moral visions of capitalism miss.

Before beginning my positive comments let me consider one criticism that might be raised against the entire project. Over the past fifteen years there has been a sustained attack on the impartiality requirement in ethics. This attack has been

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especially severe with respect to versions of Kantianism. Basically the criticism maintains that relations to friends and family and even countrymen often give those people special status in moral relationships. Kantian morality seems to require that we treat the interests of the stranger as on a par with the interests of a friend. Critics of the impartiality requirement maintain that Kantian morality is mistaken in this respect. Although I think a Kantian may escape that criticism, I shall not argue that point here.[5] Rather I maintain that if there is a place for the impartiality requirement, it is certainly in business relationships. Business transactions are supposed to be arms-length transactions. According to the prevailing popular morality, the intrusion of personal interests, such as the interests of family and friends are inappropriate in most business transactions. To give one's friends or family special consideration in business is often to place oneself in a conflict of interest situation. It may even put a manager in violation of a fiduciary duty. If these arguments have merit, the critics of impartiality will be less effective against a Kantian theory of business practices than they would be against a Kantian account of morality in general. Impartiality is usually appropriate and is often required in a business context.

THE CATEGORICAL IMPERATIVE-FIRST FORMULATION

The first and most often quoted formulation of the categorical imperative says, "Act only on that maxim by which you can at the same time will that it should become a universal law."[6] Some explanation is necessary. Suppose you are considering whether an action, breaking a promise, for example, is morally wrong. Kant would instruct you to construct a principle (maxim) for everyone. "It is morally permissible to break promises" would be the maxim for this specific case. Kant then instructs one to ask whether such a maxim could become a universal law. The answer is "no" because that maxim is self-defeating. It is self-defeating because if everyone could break promises, promises would never get made. If such a maxim were universalized the very notion of promises would make no sense. Self-defeating universalized actions are morally prohibited; Thus it is wrong to break a promise; the principle for that action could not be consistently universalized. However, actions that would not be self-defeating if universalized are morally permissible. That is the central message of the first formulation of the categorical imperative. I have argued in numerous papers that breaking promises or contracts, stealing, or in general, free riding in business dealings is immoral because such actions would violate the universalizability test of the categorical imperative. Persons interested in my thoughts on this subject could consult *Business Ethics* (Prentice Hall, 1990 with Ronald Duska) or "Does It Pay to Bluff in Business" in *Ethical Theory and Business*, (Prentice Hall, 1993 co-edited with Tom L Beauchamp).[7] I believe that my previous work has sufficiently established the applicability of the first formulation of the categorical imperative to business ethics.

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THE CATEGORICAL IMPERATIVE-SECOND FORMULATION

Kant's second formulation of the categorical imperative says, "Act so that you treat humanity whether, in your own person or in that of another, always as an end and never as a means only."[8] Contemporary moral theory often refers to this principle as the "always respect persons" principle. I recall from my undergraduate ethics class more than thirty years ago that we struggled with the issue of whether buying a product, like gasoline, violated the respect for persons requirement of the second formulation of the categorical imperative. We decided it need not because in economic transactions we need not treat persons as a means *merely*. We can purchase the gasoline and still treat the person selling it with respect and dignity. A casual observer in a supermarket can usually distinguish those patrons who treat the cashiers with respect from those who do not. In addition economic actions are allegedly free actions voluntarily entered into. If both parties recognize that economic transactions are agreements between rational responsible adults and act accordingly, the transaction will pass the respect for persons test. The phrase "act accordingly" will be filled out shortly.

Our "solution" in this undergraduate class did not address business exchanges that involve tradeoffs between human and non-human sources. You all recall from your introductory economics text that the efficient producer is instructed to always arrange capital, land, machines and workers so that their proportional marginal productivity is equal. In practical terms if the price of labor rises with respect to machines, the efficient producer should substitute machines for people. The standard economic text treated human capital no differently than any other kind of capital. It didnot recognize that humans possessed characteristics that the other forms of capital did not. As a result the standard economic text did not instruct the manager to treat human capital differently. The standard economic text gave instructions to managers that violated the respect for persons formulation.

As a practical matter, the point can be made as follows. The requirement of equal proportional marginal productivity works as follows, If the price of machines rises with respect to labor, substitute labor for machines. If the price of labor rises with respect to machines, substitute machines for labor. Both substitutions are equivalent. But Kant would say that the two substitutions are not morally equivalent. The first is morally permissible; the second is not morally permissible unless it can be shown that in that substitution the employees are not used as means merely. Now at first glance it looks as if the employees are used as means merely. Few layoffs are voluntary economic transactions. A layoff is not like an ordinary commercial transaction, e.g., purchasing gasoline at a filling station.

But things are more complicated than they look at first glance. One could say that workers know that they can be laid off if their labor becomes more expensive compared to machines. They accept the job knowing that and hence there is a perfectly understandable sense in which layoffs are voluntary. (This argument resembles Hegel's argument that a criminal voluntarily accepts her punishment.) Besides, an Ollie Williamson response is to argue that the risks of a layoff have been

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incorporated in the salary contract. Wages include a payment for the risk of layoffs.[9] As an empirical matter the response of workers to the massive layoffs of downsizing counts against the theory that the layoffs are voluntary contracts freely entered into. The response of those laid off is hardly the response of one who has bought a lottery ticket and lost. The response is not even like one who has purchased a product like a new fishing rod and found it less than satisfactory. Defenders of the voluntary contract view could respond by arguing that the feelings of the layed off employees are not determinate. Of course they do not want to be laid off but they voluntarily accepted that risk nonetheless. (After all those who are punished do not want to be punished, but they knowingly took the risk of punishment when they knowingly broke the law.)

This response is highly contestable, however. Ed Freeman and William Evan have shown that wage agreements do not fully incorporate the risks of layoffs and thus employees do bear residual risk.[10] Moreover, during one's productive years, there is hardly a choice between working and not working. If all viable work options must include acceptance of the risk of layoff, then it could be plausibly argued that the employee does not voluntarily accept but is forced to accept an employment contract where layoffs are permitted. Unhesitatingly laying off employees to enhance profits still appears to be a violation of the "respect for persons principle.

I now argue that a Kantian theory of the modern corporation requires more than saying that labor is not a factor of production like any other factor. It requires a positive affirmation of the human being at work. I wish to argue that a full-blown Kantian theory of the corporation will argue for a universal right to meaningful work. At this point in time the possession of meaningful work is necessary for most human beings' sense of self-respect; thus on Kantian grounds there is a moral requirement that the corporation provide it. Kant did not simply assert that human beings are entitled to respect; he had an elaborate argument for it. Human beings ought to be respected because human beings have dignity. They have dignity because human beings have certain capacities. Human beings are capable of autonomy and they are rational. As rational autonomous beings they are also responsible beings since rationality and autonomy are the conditions for responsibility. Thus there is a conceptual link between being a human being and being a rational autonomous being and being a responsible being. Autonomous rational responsible beings are capable of making and following their own laws; they are not simply subject to the causal laws of nature. Anyone who recognizes that he or she is autonomous and rational should recognize that he or she is responsible (that he or she is a moral being). A moral being possesses dignity. Now as a point of logic a person who recognizes that he or she is responsible must ascribe dignity to anyone like him or her; that is one must ascribe dignity to other creatures who have the capacity to be autonomous and rational and hence responsible beings. As I read Kant this is his argument for the respect for persons principle (treating a person as an end and never as a means merely).

There is a temptation to overemphasize Kant's rationalism here. Kant's focus is on the person as moral agent. Freedom and the ability to make laws (as opposed to

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being subjected to laws) are necessary conditions for moral agency. Thus Kant is not a rationalist in the spirit of Descartes, Leibniz, or Spinoza. Rationalism is not a method to truth. Rather, rationalism is the capacity to be a law maker and voluntary law follower. The ability to be rational in that sense is a necessary condition for moral agency. It is the fact that human beings are moral agents that makes them objects worthy of respect. Their rationality is secondary. A more formal way of putting this point is as follows: Kant's argues:

1. Someone is a moral agent if and only if she is free and has the ability to make laws.
2. Someone is rational if and only if she is free and has the ability make laws.
3. Therefore if one is a moral agent, one is rational and if one is rational one is a moral agent.

But Kant's argument works if all reference to rationality is removed. Autonomy and the ability to make laws are necessary and sufficient for moral agency and moral agency is what gives people dignity.[11]

How does the respect for persons principle apply in a capitalist corporate setting? I believe the textual evidence supports the view that a person must be treated in all contexts (even when the person violates moral law and puts himself or herself outside the moral community) with respect. Thus capitalist work must be consistent with the respect for persons principle if it is to pass the moral test. First Kant argues that work is necessary for the development of selfhood.

> Life is the faculty of spontaneous activity, the awareness of all our human powers. Occupation gives us this awareness ... Without occupation man cannot live happily. If he earns his bread, he eats it with greater pleasure than if it is doled out to him .... Man feels more contented after heavy work than when he has done no work; for by work he has set his powers in motion.[12]

Somewhat surprisingly, perhaps, Kant endorses wealth and the pleasures it brings. Moreover, wealth contributes to self-respect because it provides independence. To work simply in order to make money is to display the vice of miserliness, a vice, which is even worse than the vice of avarice. So long as work is required to make money so that one can provide for one's needs and pleasures and in so doing make one's self independent, work has value. Selected comments of Kant's will establish his view.

> A man whose possessions are sufficient for his needs is well-to-do .... All wealth is means ... for satisfying the owner's wants, free purposes and inclinations .... By dependence on others man loses in worth, and so a man of independent means is an object of respect .... But the miser finds a direct pleasure in money itself, although money is nothing but a pure means .... The spendthrift is a lovable simpleton, the miser a detestable fool. The former has not destroyed his better self and might face the misfortune that awaits him with courage, but the latter is a man of poor character.[13]

These brief remarks, which amount to less than ten pages and represent student notes from Kant's lectures on ethics in the 1770's before Kant had written his more

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famous and critical works on ethical theory, provide key elements to a Kantian theory of the firm. So long as business firms provide jobs that provide sufficient wealth, they contributes to the independence and thus to the self-respect of persons. For a Kantian, the true contribution of capitalism would be that it provides jobs that help provide self-respect. The purchase of consumer goods in an affluent society often simply provides pleasure. Having a job provides the means for providing pleasure and the independence necessary for self-respect. If it is true that our current welfare programs make people dependent, Kant would consider them a great evil. And a capitalism that provides jobs that do not provide sufficient income for independence is also morally flawed. Kant would be as concerned as we are about the scope of corporate downsizing and the loss of jobs that do not provide a living wage.[14]

Kant evaluated thrift on moral rather than economic grounds. He said:

> Thrift is care and scruple in the spending of one's substance. It is no virtue; it requires neither skill nor talent. A spendthrift of good taste requires much more of these qualities than does he who merely saves; an arrant fool can save and put money aside; to spend one's money with refinement on pleasure needs knowledge and skill, but there is no cleverness in accumulating by thrift. The thrifty who acquire their wealth by saving, are as a rule small minded people.[15]

Alan Greenspan take note. It would be stretching the point to claim that Kant is a precursor of Keynes but it is clear that wealth for Kant is something to be used to meet our material needs and that its moral value is in providing us the independence needed to meet our material needs. Somewhat surprisingly, Kant does not follow Luther and Protestant ethics here. Weber could not cite Kant in favor of his thesis. I say surprisingly, because Kant's ethics was strongly influenced by German pietism.

These ideas expressed in the last few pages can be put more formally as follows:

1. If a corporation is to be considered moral, corporate employees must be treated as ends and not as a means merely.
2. If a corporation is to treat corporate employees as ends, then the self-respect of the employees must be honored.
3. To honor the employees' self respect, they must have a certain amount of independence as well as the ability to satisfy a certain amount of their desires.
4. If people must have a certain amount of independence as well as some amount of satisfaction of desires, then they must have a certain amount of wealth.
5. If this wealth is not to be handed to them, work or labor sufficient for providing it must be available.
6. Thus jobs must be available that provide pay sufficient to provide a certain amount of independence and some amount of satisfaction of desires.[16]

Although this is as much as one can say given the Kantian text, I believe a Kantian can say more about the moral value of work than that it gives us independence and thus self-respect. A Kantian moral framework enables the Kantian to say something about the nature of meaningful work.[17] It seems obvious

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that work in a capitalist economy, be it the work of managers or the work of employees, must support the dignity of human beings. That is, capitalist work should support or enhance the dignity of human beings as moral agents. And since autonomy and rationality (in the sense defined earlier) are necessary for moral agency the work relationship must support the autonomy and rationality of human beings. Work that deadens autonomy or that undermines rationality is immoral.

A Kantian theory provides a framework for determining what counts as meaningful work. Meaningful work is work that supports the worker in leading a moral and thus an autonomous rational life.[18] You do not find language in the business world that captures the pure Kantian spirit very often, but occasionally you do.

Max DePree CEO of Miller Furniture captured the Kantian ideal when he described work as follows:

> For many of us who work there exists an exasperating discontinuity between how we see ourselves as persons and how we see ourselves as workers. We need to eliminate the sense of discontinuity and to restore a sense of coherence in our lives. ... Work should be and can be productive and rewarding, meaningful and maturing, enriching and fulfilling, healing and joyful. Work is one of the great privileges. Work can even be poetic. What is it most of us really want from work? We would like to find the most effective, most productive, most rewarding way of working together. We would like to know that our work process uses all of the appropriate and pertinent resources: human, physical, and financial. We would like a work process and relationships that meet our personal needs for belonging, for contributing, for meaningful work, for the opportunity to make a commitment, for the opportunity to grow and be at least reasonably in control of our own destinies.[19]

Anita Roddick, CEO of the Body Shop, put it this way:

> How do you ennoble the spirit when you are selling something as inconsequential as a cosmetic cream? You do it by creating a sense of holism, of spiritual development, of feeling connected to the workplace, the environment, and relationships with one another. It's how to make Monday to Friday a sense of being alive rather than slow death. How do you give people a chance to do a good job? By making them feel good about what they are doing. The spirit soars when you are satisfying your own basic material needs in such a way that you are serving the needs of others honorably and humanely. Under these circumstances, I can even feel great about a moisturizer.[20]

The message of the second formulation of the categorical imperative in conjunction with some of Kant's other thoughts on ethics is that a corporation cannot be moral if it does not provide jobs sufficient for people to be independent and satisfy some of their desires, and meaningful in the sense of supporting our autonomy and rationality.

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THE CATEGORICAL IMPERATIVE-THIRD FORMULATION[21]

Most commentators agree that there is a third formulation of the categorical imperative which is sometimes called the Kingdom of Ends formulation. Loosely put this formulation of the categorical imperative says that you should act as if you were a member of an ideal kingdom of ends in which you were both subject and sovereign at the same time. What did Kant mean? Kant recognized that human beings interacted with other human beings. His term for persons was "ends." Thus the arena of interactions was called "a kingdom of ends." What are the laws which govern those interactions? Kant maintained that since those were the interactions of human beings and not billiard balls those interactions should be governed by laws made by human beings. Since the moral law is rational, it is universal; the moral law must be acceptable to everyone and hence all would be sovereign with respect to the moral law. However, the moral law applies to all persons and we ought to obey it. In that respect we are all subject to the moral law. As Kant said:

> For all rational beings stand under the law that each of them should treat himself and all others never merely as a means but in every case also as an end in himself. Thus there arises a systematic union of rational beings through common objective laws. This is a realm which may be called a realm of ends ... because what these laws have in view is just the relation of these beings to each other as ends and means.[22]

Whereas social scientists would look for the natural laws that govern those interactions (org behavior) , moral philosophers would seek those norms that should govern such interactions. However, those moral norms include far more than the statements of the categorical imperative. In going beyond the moral law as expressed by the categorical imperative, we must supplement Kant's analysis in his *Critique of Practical Reason.* Kant does have a theory of democratic representation that supplements the analysis in the Second Critique. I also believe Kant's notion of the kingdom of ends and his theory of representation is one of the inspirations for Rawls's concept of a social union in the last third of *A Theory of Justice*. Just as I provided a positive account of meaningful work as a demand of the "respect persons formulation" I supplement the formalism of the kingdom of ends formulation with a notion of the moral community. There is no better place to begin than with Rawls's distinction between a private society and the social nature of mankind.

> ... thus we are led to the notion of a private society. Its chief features are first that the persons comprising it, whether they are human individuals or associations, have their own private ends which are either competing or independent, but not in any case complementary. And second institutions are not to have any value in themselves, the activity of engaging in them not being counted as a good but if anything a burden. Thus each person assesses social arrangements solely as a means to private ends .... The social nature of mankind is best seen by contrast with the conception of private society. Thus human beings have in fact shared final ends and they value their common institutions and activities as goods in themselves. We

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> need one another as partners in ways of life that are engaged in for their own sake and the successes and enjoyments of others are necessary for, and complementary to our own good.[23]

Institutions that embodied these common activities and shared final ends were called social unions and the just society should be a social union of social unions. I expand Kant's notion of the kingdom of ends so that it resembles the concept of a social union. I now argue that a business should be viewed as a social union.

Kantian and Rawlsian moral theory provide a theory of the moral corporation. What would the business firm as a moral community look like? Since all persons in economic affairs are moral agents, they are equal with respect to possessing dignity and intrinsic value. Thus in a business firm organized as a moral community, the interests of every member of the community are equal to the interests of every other member. The interests of one stakeholder could never predominate over the interests of the other stakeholders. Any corporate activity that benefits one set of stakeholders over another must be justified. Of course such justification is often readily forthcoming. For example if the issue at hand is reward for risk and stakeholders x took more risk than stakeholders y, then stakeholders x deserve more of the reward than stakeholders y. Thus if Ollie Williamson had been right when he argued that only stockholders bore residual risk,[24] a Kantian theory of capitalism could accept a system where all the rewards for bearing the residual risk went to stockholders. Williamson's argument fails because as Ed Freeman has shown, Williamson is wrong in arguing that only stockholders bear residual risk.[25]

This seems relatively uncontroversial. The real difficulty occurs in matching and balancing different categories of contribution. How do you reward the contribution of the risk taker who put up the capital as compared with the employees who actually produce the product or service? One might respond that this is the kind of question a manager should decide. But if the manager were to decide without either getting input from or the authority to make the decision from the other stakeholders, the autonomy of the stakeholders would be violated.

Kantian moral theory cannot provide a detailed answer to this question nor should we expect it to. Neither should we look to other moral theories for the answer. However Kantian moral theory does provide a procedural solution. Kant indicates that in a moral community, each member is both subject and sovereign with respect to the laws that govern the community. However, any one of a number of rules for making the trade off could pass the tests of the categorical imperative. There is no one rule that necessarily would be rationally adopted by everyone. What would sovereignty amount to in such cases? At the very least it would amount to having some input into the decision making process. The Rawlsian notion of shared ends and activities would require this as well. Thus in the business context all the stakeholders should participate in making the rules that answer these types of questions.

If one were to take the Kantian/Rawlsian moral perspective, it seems as if the following principles would be required for rule making in the moral firm.

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PRINCIPLES OF A KANTIAN MORAL FIRM

1. The firm should consider the interests of all the affected stakeholders in any decision it makes.
2. That consideration should involve getting input from all the affected stakeholders.
3. It should not be the case that for all decisions, the interests of one stakeholder take priority.
4. Each business firm must establish procedures designed to insure that relations among the stakeholders are governed by rules of justice. These rules of justice are to be developed in accordance with principles 1-3 and must receive the endorsement of all the stakeholders.

Principles 1 and 2 seem like straightforward requirements for any moral theory that takes respect for persons seriously. These principles seem especially important for a theory that builds its theory of respect on human autonomy. They are also the principles that would govern a social union. Principle 3 provides a kind of organizational legitimacy. It ensures that those involved in the firm receive some minimum benefits from being a part of it. After all if one group of stakeholders were always to lose out whenever their interests conflicted with the interests of other stakeholders, the losing group would have no reason to continue to sacrifice for the common good. Those stakeholders would have no reason to be members of the moral community. You would not have a social union if the interests of one stakeholder group were always being frustrated. Obviously activities that were always detrimental to one group would not represent shared ends and common activities. Finally principle 4 insures that the rules and operating procedures of the firm are constrained by considerations of Kantian morality.

What relation does this abstract ethical theory regarding how moral firms ought to behave have to how employees actually view firms?[26] Perhaps surprisingly, the fit is quite good. The Kantian notion of a kingdom of ends and my four principles of the moral firm are consistent with the empirical findings on procedural justice in organizational theory. In organization theory, procedural justice refers to the perceived fairness of the policies and procedures used to make decisions. (Notice the similarity to Rawls who defines justice as fairness.) What people perceive as fair is consistent with how Kantian moral theory says people ought to be treated. Employees believe that the work procedures are unfair if the employee is not treated with dignity and respect. Summarizing studies by Bies, Tyler, and Karambayya and Brett, Jerald Greenberg says, "It is reasonable to interpret all these findings as showing the same thing; namely that fairness demands treating others with civility and dignity."[27]

More specifically, Leventhal argued that procedures are fair if they meet several criteria: the extent to which they suppress bias, create consistent allocations, rely on accurate information, are correctable, represent the concerns of all recipients, and are based on prevailing moral and ethical standards.[28] Unfortunately the number of

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studies testing Leventhal's concept are limited. However, it has been shown that judgments of procedural fairness are most importantly influenced by the interpersonal treatment people receive and the adequacy with which the procedures are explained.[29] Numerous studies have shown that there is a correlation between perceptions of fairness in performance evaluation and the opportunity to express their opinions during the course of the review. Indeed a refinement on the notion of input showed that employees wanted input prior to evaluation, two way communication during the review, the ability to challenge the review, rater familiarity with the employee's work, and consistent application of standards.[30] A 1986 study by Bies showed that honesty, courtesy, timely feedback and respect for rights were the most important factors in interpersonal treatment.[31] In a 1987 study Sheppard and Lewicki established the importance of "providing adequate information" and assigning challenging and meaningful work" as components of perceived fairness.[32] One of the important findings in the organizational behavior literature is that people will accept bad results if they were responsible for the procedures that produced the results.[33] Although the language used by 20th century employees is somewhat different from that used by an 18th century philosopher, the basic underlying ideas are the same. Persons want to be treated in business settings the way Kant says they ought to be treated. To that extent what people want coincides with what they ought to want.

However, other results from organizational behavior illustrate the differences between social science methodology and the methodology of normative moral philosophy. The phenomenon I refer to is the paradox of the contented female worker. Empirical research has shown that contrary to the expectations of equity theory, a statistically significant number of women felt no personal deprivation when they were paid less than men holding jobs of equal prestige.[34] Apparently the explanation for that phenomenon is that women tend to compare themselves to other women who are also underpaid.[35] In commenting on these findings Jerald Greenberg said "To the extent that such norms (differential pay for equal work based on sex) dictate socially acceptable behavior, it is not surprising that women have come to accept as fair the lower pay they receive."[36]

An unfortunate debate has erupted around the comments by some business ethicists to the effect that the facts do not matter. Taken by itself, that comment is silly and has created unnecessary conflict with social science oriented investigators in business ethics. By the way Kant himself was very explicit in pointing out that moral philosophy was mere speculation without the knowledge provided by the social sciences.

> Practical philosophy (that is, the science of how man ought to behave) and anthropology (that is, the science of man's actual behavior) are closely connected and the former cannot subsist without the latter; for we cannot tell whether the subject to which our consideration applies is capable of what is demanded of him unless we have knowledge of that subject. It is true that we can pursue the study of practical philosophy without anthropology ... But our philosophy is then merely speculative and an Idea. We therefore have to make at least some study of man.[37]

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However, the example of the paradox of the contented female worker illustrates the point behind the philosopher business ethicist's remarks. The fact that there is a norm that permits paying women less than men for jobs of equal prestige and the fact the women accept it does not make it right. It violates Aristotle's proportionality principle of justice. (And I would argue that it violates the Kantian moral framework as well.) There is an important sense in this case where the facts do not matter and I trust that this case is both obvious and noncontroversial.

What I have tried to show here is that in general, although not completely, people wish to be treated in organizational settings, including business, as Kant says they ought to be treated. But an important dictum in moral philosophy is "Ought implies can." Can a corporation in a highly competitive international capitalist environment behave as Kant says it ought to behave.

These principles, if followed, would mark a radical departure from traditional management practices. But is this account simply a philosopher's vision or is there at least some evidence that this vision of the firm as a moral community is acceptable to some who are management scholars and to others who are successful real world managers? Happily the answer is yes.

Recent work by Joseph Mahoney, and Anne and James Huff proposes a new social contract theory in organization science.[38] In their work they argue that the Hobbesian egoistic assumptions of traditional economic analysis must be replaced, or at least radically supplemented by considerations of altruism, ethics, goodwill, moral sentiments, and trust. Only if these elements are added to the analysis can we fully understand strategic alliances. I agree and the Kantian perspective provides a normative theoretical framework within which that discussion can take place.

Let us consider an issue in organizational behavior. Teamwork requires cooperative non opportunistic behavior. This is especially true where quality circles are replaced with problem solving teams. Quality circles are more or less permanent teams designed to handle whatever workplace problems come up; problem solving teams exist to resolve one problem. Thus in a company with the problem-solving approach, team membership will fluctuate radically depending on the problem being dealt with. Thus the bonds of trust will have to be expanded. In a quality circle, the number of people the team needs to trust is quite small. In the problem solving team the number is much larger; for all practical purposes trust should characterize all relationships. The firm should be a moral community.

Let us also approach this issue from the perspective of strategy. Some strategy theorists argue that a business should focus on its core competencies, those activities where it is most efficient and gains a competitive advantage. All other activities should be outsourced—turned over to others who can do it more cheaply. Outsourcing provides cost savings in two ways: First, the firm saves money by having others do tasks for it more cheaply than the firm could do the task itself. Second, disaggregating functions to other firms enables the firm to flatten the organization—to eliminate layers of management. Core competencies and outsourcing are the modern equivalents of Adam Smith's pin factory.

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Thus a university identifies teaching an array of subjects as its core competency. The bookstore, food services, buildings and grounds upkeep, student housing and student medical care, payroll and fundraising are not done by the university. The university contracts with outside firms to provide these services more cheaply than the university can do these tasks itself. The university would no longer need to supervise janitors, payroll clerks, cafeteria workers or maids. The university would focus on teaching and the only management needed would be the management of the professors.

In its most radical form the firm becomes what some have called the virtual corporation. The corporation has one core activity. By itself that corporation could produce little; however the corporation enters into an ever changing array of strategic alliances where it obtains necessary products from an array of other firms. Through this arrangement profits for all participating firms are maximized.

Consider our hypothetical university again. The virtual university would focus on one subject area—the natural sciences for example. It would then partner with any other organization that needed teaching the natural sciences as a component. It might partner with an educational institution that provided humanities education or with a chemical company that wanted to train some of its employees in new developments in the natural sciences.

If this analysis is correct, why don't we see more virtual corporations? Why are in-house educational programs a growth industry? Why don't we see more strategic alliances? Analysts are virtually unanimous in saying that a corporation that emphasizes core competencies, to say nothing of the virtual corporation, can succeed only if the partners are both low cost high quality producers compared to them and only if the partners can be trusted to behave non-opportunistically. After all strategic alliances present numerous agency problems. The most cost effective way to resolve agency problems is to partner with non-opportunistic agents. Successful strategic alliances are based on cooperative trusting relationships where no partner to the relationship abuses the trust. Rawls identifies the state as a union of social unions. Successful strategic alliances are also unions of social unions. They are also kingdoms of ends. They only work if each partner is a moral firm and if the relationship is based on moral principles where each firm accedes to and honors the moral norms governing the relationship.

Managers who operate on the traditional non-moral egoistic assumptions are incapable of forming strategic alliances. Consider the case of GM which promoted Jose Ignacio Lopez de Arroirtua on the basis of his success in lowering the cost of supplier products. His success in this area arose primarily through his practice of continually reopening negotiations (breaking contracts) and providing the proprietary information of one supplier to other suppliers so that these other suppliers could provide the product more cheaply. Such behavior violates all formulations of the categorical imperative. (A fact which provides evidence for Kant's insistence that all three were linked analytically (conceptually) .

Is it any surprise that Lopez left GM for the German company Volkswagen allegedly taking with him several associates and many cartons of GM's proprietary

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purchasing data? Furthermore is it any surprise that in a recent survey the suppliers of auto parts rated GM worst of all the automakers? How will GM fare as it enters what *Fortune*, calls the new economy where cars cost less because the auto industry relies more, on cheaper high quality suppliers?[39]

Considerations like these provide many hypotheses where the moral firm can gain a competitive advantage. Work in organization theory has shown that a necessary component of trust is that the procedures of the organization be perceived as fair. The establishment of trust is important for the economic health of the firm. My colleagues Phil Bromiley and Larry Cummings have identified a number of hypotheses where trust provides economic benefit.[40]

The breakdown of trust works the other way. The competitive advantages gained by teamwork can be lost in downsizing. US West has done much to create productive teams in the company. Obviously the creation of teams requires the active support of the team members—the employees. What happen when an organization which is developing teams downsizes? Listen to US West employee Jerry Miller who is bitter about US West's downsizing.

> When we first formed our teams, the company came in talking teamwork and empowerment and promised we wouldn't lose any jobs. It turns out this was a big cover. The company had us all set up for reengineering. We showed them how to streamline the work, and now 9,000 people are gone. It was cut-your-own-throat. It makes you feel used.[41]

Note that Miller uses Kantian language. Feeling used is what happens when you are not treated as a person in Kant's sense. As Rawls argued so persuasively, a sense of justice increases the stability of organizations. By implication when people believe the institutions are unjust, the organization is unstable.

ACTING FROM DUTY

Every student of Kant knows that Kant insisted that we act from the proper motive; indeed acting from the proper motive was *the* determinant of the morality of an action. As Kant put it:

> Nothing in the world—indeed nothing even beyond the world—can possibly be conceived which could be called good without qualification except a goodwill .... Thus the first proposition of morality is that to have genuine moral worth, an action must be done from duty. An action done from duty does not have its moral worth in the purpose which is to be achieved through it but in the maxim whereby it is determined. Its moral value, therefore, does not depend upon the realization of an object of the action but merely on the principle of the volition by which the action is done irrespective of the objects of the faculty of desire.[42]

Kant was something of a purist here. "Moral" actions done for prudential reasons were not really moral actions. "Honesty is the best policy" is not a prescription of morality but a prescription of prudence. More controversially, the actions done by good hearted people, people who are naturally kind or sympathetic

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were not considered by Kant to be moral actions either so long as the reason for the action was not respect for the moral law. (The action of a sympathetic person would be moral if it were done for the proper reason rather than out of sympathy.) For Kant only actions done from respect of the moral law (the categorical imperative) were genuinely moral. A visit to a sick friend was only a genuine moral act if the visit was motivated by respect for the categorical imperative.

> ... it is in accord with duty that a dealer should not overcharge an inexperienced customer, and wherever there is much trade the prudent merchant does not do so, but has a fixed price for everyone so that a child may buy from him as cheaply as any other. Thus the customer is honestly served, but this is far from sufficient to warrant the belief that the merchant has behaved in this way from duty and the principles of honesty. His own advantage required this behavior. The action was done neither from duty nor from direct inclination but only for a selfish purpose....
>
> To be kind where one can is a duty, and there are, moreover, many persons so sympathetically constituted that without any motive of vanity of selfishness they find an inner satisfaction in spreading joy and rejoice in the contentment of others which they have made possible. But I say that, however dutiful and however amiable it may be, that kind of action has no true moral worth.[43]

For several years now I have been arguing that moral conduct has a beneficial economic payoff. Persons who know Kant have criticized me for not being faithful to Kant's central moral message: Good acts must be done from moral motives if they are truly moral. I remember Tom Donaldson making this criticism when I defended the economic advantages of Kantian ethics at a Tokyo conference in 1990. However, despite these earlier comments and despite some of my language in this paper, I have always been faithful to the central Kantian point regarding the proper motive for moral behavior. Although I think acting from the Kantian moral framework will lead to profits, I think the primary motive for acting from the Kantian framework is that it is the right thing to do. I made this argument in an earlier paper entitled "The Paradox of Profit" and repeated it in a paper entitled "New Directions in Social Responsibility.[44] In fact I argued the Kantian line so successfully in these papers that Andrew Stark in his now infamous Harvard Business Review article used these passages to criticize me for being unrealistic and irrelevant to business.[45] Thus I have been criticized for being unfaithful to Kant and for being a Kantian extremist. Some clarification is obviously in order.

Kant's contention that actions motivated by such emotions or sentiments as kindness or sympathy are not really moral actions strikes me as mistaken. Kant really is being excessively rationalistic here. Robert Solomon is certainly right in his claim that the strict separation of reasons and emotions is an artificial distinction.[46] I count as a moral motive for actions, acting out of the principle of respect for persons and/ or acting out of human kindness to another. Indeed it seems to me that a person who acts out of the principle of respect for persons is likely to be kind and vice versa. Thus I have always treated Robert Frank who demonstrated in a 1988 book that

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moral emotions can have a strategic payoff as having a position not inconsistent with Kantianism. Frank says:

> For the model to work, satisfaction from doing the right thing must not be premised on the fact that material gain may later follow; rather it must be *intrinsic* to the act itself. Otherwise a person will lack the necessary motivation to make self—sacrificing choices, and once others sense that, material gains will not in fact follow. Under the commitment model, moral sentiments do not lead to material advantage unless they are heartfelt.[47]

So although I do not follow Kant with respect to excluding such sentiments as kindness and sympathy as moral motives, I think that Kant is basically right in arguing that business people should act from moral motives and that only if they do will they reap the full advantages of morality. My first argument from "The Paradox of Profit" went like this. Philosophers are familiar with the hedonic paradox. "The more you consciously seek happiness the less likely you are to find it." If you do not believe this, just get up some morning and resolve that everything you do will be done in order to achieve happiness. You will soon be miserable. Happiness is something you achieve, but not something you strive for. Happiness is the result of successful achievements, but is not itself something you try to achieve. For Aristotle self-realization is what you try to achieve and happiness is the result of achieving it. It seems to me that at least to some extent profits are like that. If your focus on them is excessive, the less likely you are to achieve them. The conventional wisdom argues that business managers should focus on the bottom line. A Kantian thinks that advice is mistaken. Instead the business manager should focus on providing meaningful work for employees and providing high quality products for customers. If managers do so profits are likely to result.

This recipe for success is hardly mainstream but it does have its adherents. *Fortune* describes the travel company Rosenbluth International as follows:[48]

> Hire nice people, treat them well, encourage them to bind emotionally with the company, train them continuously, and equip them with the best technology. Then the customers and the profits will follow.

James Renier, president of Honeywell has said:

> If we help people develop into the best they can become, and if we enable people to make their maximum contribution on the job, we will get the innovation and productivity we need. But I suggest to you that even if I did not get more productivity or make the company more secure, or improve profits, it would still be worth doing. It would be worth doing simply because it is the right thing to do ... Think of it [participation] as an ethical undertaking. That will insure that programs like ... quality work life help our people achieve their objectives and do not degenerate to mere manipulation.[49]

Second, as I maintained in my response to Stark in *the Society for Business Ethics Newsletter* of February 1994, conduct the following thought experiment. Your spouse wants you to attend an event you prefer to skip. You can (a) not go; (b)

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go in the hope that your spouse will go to an event you want to attend but that the spouse would rather skip; (c) go out of love. Which motive builds the stronger relationship? Answer: C. Also if you act out of C you are likely to get B results. But if the motive for you action is B, you are less likely to get B results.

Similar results occur in business. In this case anecdotal evidence counts for something. Even if the manager's conscious goal were to increase profits, you can hardly tell the other stakeholders that. Why would an employee want to work harder to increase the wealth of the stockholders. Thus managers tend to introduce innovations like quality circles on the grounds that the employee is benefitted, but if the employee suspects management's motives, the quality circles will not succeed. Interestingly quality circles have not done well in the U.S. and one can only wonder if the bottom line orientation of managers has something to do with it. Recall the comments of that US West employee cited earlier.

We also know that people talk like Kantians when evaluating corporate conduct. Indeed, the public often evaluates corporations like pure Kantians. We all are familiar with cases where corporate good works are greeted with public scorn because the public is suspicious of the corporation's motives. "They are just trying to buy good will" is a phrase that is often heard. Corporate executives who really do act from Kantian motives are frustrated when their motives are questioned. Yet it is hard for the public to tell if an action is done in accordance with duty or from duty. That is why reputation, corporate character, and a record of altruistic acts are important. If Johnson and Johnson proclaims moral motives for what they do, they are believed. The public remembers how Johnson and Johnson handled the Tylenol poisonings. Not only did they do the right thing but they did think like Kantians. According to a taped interview then Johnson and Johnson CEO James Burke said, "We consulted the Credo that put customers first. Thus there was no question about what to do."

On the other hand if Exxon proclaims moral motives for what they do, they are not believed. The public remembers Exxon's behavior during the Alaskan oil spill. To drive home the point, teach Ken Goodpaster's Ashland Oil case. The Ashland management team took responsibility. Managers need to take Kant's point about the primacy of moral motives seriously even if Kant himself was too narrow with respect to what counts as a genuine moral motive.

THE COSMOPOLITAN PERSPECTIVE

One of the key features of the enlightenment was its cosmopolitan perspective. Enlightenment thinkers were strongly critical of religious and nationalistic values since they believed that local customs and religious doctrines interfered with the development of a cosmopolitan spirit. One of the great strengths of the enlightenment was its claim that all human beings were endowed with reason. Another strength was its ability to see beyond national boundaries.

Capitalism is cosmopolitan in its outlook and thus supports enlightenment cosmopolitanism. Capitalism pulls in the opposite direction from nationalism and

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religious sectarianism. Early capitalist supporters of free trade believed that international commerce provided a means for linking the nations of the world together peacefully and democratically. As John Stuart Mill (1848) said:

> It is hardly possible to overate the value, in the present low state of human improvement, of placing human beings in contact with persons dissimilar to themselves and with modes of thought and action unlike those with which they are familiar. Such communication has always been and is peculiarly in the present age, one of the primary sources of progress.[50]

And as the nations of the world conduct business with one another they will behave like one another. As David Hume put it:

> Where several neighboring nations have a very close communication together, either by policy, commerce, or traveling, they acquire a similitude of manners, proportioned to the communication.[51]

A central issue in international business ethics is the problem of relativism. In everyday language, the issue is: when in Rome should you do as the Romans do? The Kantian theory of capitalism has a ready answer to that question and the answer is not quite so foundationalist as you would think. Briefly put, a practice not in violation of the categorical imperative is morally permissible. So long as an action would not be self-defeating if universalized, does not use people merely as means, and can be publicly advocated, it is morally permissible. Obviously different cultures could adopt some different moral principles and yet the principles of both would pass the tests of the categorical imperatives.

However, there are some practices that should not be acceptable within a capitalist framework because these practices could not pass the test of the categorical imperative. Arguments for this point and the identification of such practices are found in my discussion of the first formulation of the categorical imperative. The notion that there are some universal norms for capitalist business practice is not limited to me. As is well known Tom Donaldson defends a list of fundamental rights.[52] Richard DeGeorge says this about international business ethics.

> There are also basic norms necessary for the conduct of business such as keeping promises, honoring contracts, telling the truth, and respecting the lives and integrity of those with whom one engages in business. Even on issues of extortion and gross bribery there is a general consensus that these are wrong, even though prevalent and tolerated in some countries.[53]

I believe DeGeorge is correct and Kantian moral philosophy provides the theoretical rationale for those assertions.

What is significant is that as capitalism becomes accepted throughout the world, the morality that makes capitalism possible will be accepted as well. As an empirical matter we should begin to see an increasing number of attempts to achieve international standards of business ethics and as a matter of fact we do. William Frederick has done an exhaustive study of transnational corporate codes.[54] He found considerable overlap. Recently a group of Minnesota businessmen under the auspices of the Minnesota Center on Corporate Responsibility developed a set of

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principles for the practice of international business. These principles were taken to the Caux Roundtable, an international organization of American, European, and Japanese businessmen. The Japanese moral concept of *keosei* was added and these principles were then renamed the Caux Principles for the Conduct of International Business. Now endorsement is being sought from an even wider audience.

Finally it was a main contention of the Enlightenment that a cosmopolitan world view supported by international commerce would support world peace. For the Enlightenment war was the greatest evil—an evil caused in part by an excessively fervent nationalism. Both the founder of capitalism Adam Smith and Kant were prescient here. Smith said:

> At the particular time when these discoveries were made, the superiority of force happened to be so great on the side of the Europeans, that they were enabled to commit with impunity every sort of injustice in those remote countries. Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at the equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it . . .[55]

Kant expressed the same sentiments.

> In the end, war itself will be seen as not only so artificial, in outcome so uncertain for both sides, in aftereffects so painful in the form of an ever-growing war debt (a new invention) that cannot be met, that it will be regarded as a most dubious undertaking. The impact of any revolution on all states on our continent, so clearly knit together through commerce will be so obvious that other states, driven by their own danger but without any legal basis, will offer themselves as arbiters, and thus they will prepare the way for a distant international government for which there is not precedent in world history.[56]

Kant believed that international commerce supported world peace and that view is very much alive today. During the 1970's and 80's Americans defended U.S. trade agreements with the Soviet Union on the grounds they would decrease the likelihood of war. Today the same arguments are used to encourage trade with Russia and the other former Soviet republics and for the granting of most favored nation treatment to China. In another world trouble spot, some are arguing that peace between Jordan and the PLO ruled areas and Israel will be maintained and nurtured by increasing trade and business dealings.

The effect of capitalism on the quality of life has been much debated. Albert 0. Hirschman has classified the views as civilizing, destructive or feeble.[57] The thinkers of the Enlightenment, including Kant, have generally tended toward the civilizing camp. But which view is correct? The evidence is mixed. However if the

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adoption of a Kantian theory of capitalist firms could provide a universal morality for business, provide meaningful work for employees, institute firms as moral communities and help establish a more cosmopolitan and peaceful world, Kantian capitalism will have done everything any theory of business ethics could do. There may be other ways to achieve this end, but the Kantian theory of capitalism offers one clear blueprint.

ENDNOTES

[1] This revised version of my 1994 Ruffin lecture owes significant debts to a large number of people. I received thoughtful comments from those attending the Ruffin lecture, as well as those attending the Society for Business Ethics meeting in Boston in December 1994. Unfortunately it is not always possible in those circumstances to remember who asked which question. I also discussed the ideas behind this paper on two occasions with my colleagues in the Department of Strategic Management and Organization—once in a department seminar and once in Larry Cummings' research in organizational studies group. I have acknowledged the specific contributions that I can remember but I know this version has been enriched by some to whom I cannot give proper credit. Geoff Bell, a PhD student in the Carlson School and Bryan Frances, a PhD student in philosophy have provided written substantive and editorial comments. Richard DeGeorge, William Frederick, and Robert Frederick also provided considerable feedback. Finally I have benefitted by the exchange of views between Ed Hartman and one of my commentators, Andrew Wicks.

[2] It should be noted, as Richard DeGeorge has reminded me, that Kant thought all three formulations of the categorical imperative are equivalent. Thus if an action violated one formulation, it violated the other two. In this essay I make no attempt to defend Kant's equivalence thesis.

[3] However, Kirk Hart informs me that Kant was familiar with the work of Adam Smith.

[4] Robert C Solomon, *Ethics and Excellence: Cooperation and Integrity in Business*, (Oxford University Press, 1992).

[5] The classic criticism in this regard is Lawrence Blum's *Friendship, Altruism, and Morality*. Two defenders of Kant are Marcia Baron, "The Alleged Repugnance of Acting from the Motive of Duty" *Journal of Philosophy* 81, 1984 pp.197-220 and Jean Hampton, "Rethinking Reason," *American Philosophical Quarterly* 29 (1992) pp.219-236.

[6] Immanuel Kant, *Foundations of the Metaphysics of Morals* 1785 (New York: Macmillan Publishing Company, 1990), p.38.

[7] The ideas in these two works have been incorporated into several later papers including "International Business, A Universal Morality and the Challenge of Nationalism" in *Business Ethics: Japan and the Global Economy*, Thomas W. Dunfee and Yukimasa Nagayasu, eds. (Boston: Kluwer Academic Publishers,

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1993), pp. 95-114 and "Economics and the Enlightenment" in *Ethics and Economic Affairs*, Alan Lewis and Karl-Erik Warneryd (eds.) (New York: Routledge, 1994).

[8] Kant, op. cit., p.46.

[9] Oliver Williamson, "Corporate Governance," *Yale Law Journal*, 93 (1984), pp. 1197-1230.

[10] R Edward Freeman and William M Evan, "Corporate Governance: A Stakeholder Interpretation," *The Journal of Behavioral Economics*, 19 #4 (1990) pp. 357-359.

[11] 1 have indebted to Bryan Frances for this point.

[12] Immanuel Kant *Lectures on Ethics* 1775 (New York: Harper Torch books, 1963), pp.160-61.

[13] Ibid., pp. 177, 181, 185.

[14] Although admittedly Kant wants a job to provide more than a living wage. A living wage is a necessary but not sufficient condition for a "good" job.

[15] Kant, op.cit., p. 184.

[16] Again I indebted to Bryan Frances for the formalization of this argument. The argument has been reformulated after Robert Frederick pointed out the earlier version's inadequacies.

[17] Although business ethicists have not emphasized meaningful work, some are giving it attention. Joanne Ciulla and Al Gini have both made important contributions. My own thinking on this topic has evolved from discussions with my graduate student Kathryn Brewer.

[18] I am not claiming that the only way one can gain autonomy and independence is through work that provides wages sufficient for independence. One can gain self-respect by being a priest or by being an impoverished artist. One can also gain respect by identifying with a group or cause. However if work in corporations is chosen and is to be morally justified, then something like the arguments I have attributed to Kant are necessary. I am grateful to Tanya Kostova for raising this issue.

[19] Max DePree. *Leadership Is An Art* (New York: Dell Publishing, 1989), pp. 23, 32.

[20] Anita Roddick, *Body and Soul* (New York, New York: Crown Publishers Inc., 1991), pp. 22-23.

[21] Several of the ideas in this section are taken from my article "The Firm as a Moral Community" in *Morality, Rationality, and Efficiency: New Perspectives on Socioeconomics*, Richard M.Coughlin, Ed. (Armonk, New York: M.E.Sharpe Inc., 1991), pp.169-83.

[22] Immanuel Kant's *Foundation of the Metaphysics of Morals*, Lewis White Beck Trans. (Indianapolis: Bobbs Merrill Inc., (1787] 1969).

[23] John Rawls, *A Theory of Justice* (Cambridge, MA: Harvard University Press, 1971), pp. 521-23.

[24] Oliver Williamson, op. cit., pp. 1197-1230.

[25] R. Edward Freeman and William M. Evan, op. cit. pp. 337-359.

[26] These formal principles will only work if those who have substantive ethical disagreements agree that a process solution is ethically superior to insisting on the

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moral correctness of one's position. As Bill Frederick has pointed out to me, it is unlikely that this will always be the case. Consider the opposing sides in the abortion debate. There is no willingness by some partisans in the debate to allow the issue to be settled on procedural grounds, e.g., by decisions of legislative or judicial bodies. At present I see no way to escape this difficulty.

[27] Jerald Greenberg, "Organizational Justice: Yesterday, Today, and Tomorrow," *Journal of Management* V. 16, #2 (1990) p. 424.

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