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Corporate Responsibility and Corporate Personhood

Rita C. Manning

ABSTRACT. In this paper, I consider the claim that a corporation cannot be held to be morally responsible unless it is a person. First, I argue that this claim is ambigious. 'Person' flags three different but related notions: 'metaphysical person', 'moral agent', 'moral person'. I argue that, though one can make the claim that corporates are metaphysical persons, this claim is only marginally relevant to the question of corporate moral responsibility. The central question which must be answered in discussions of corporate moral responsibility is whether corporations are moral agents or moral persons. I argue that, though we can make a case for saying corporations are moral agents, they are not moral persons, and hence, we can hold them responsible. In addition, we need not treat them the way we would be obligated to treat a moral person; we needn't have the same scruples about holding a corporation morally responsible as we would a moral person.

The question of collective responsibility has captured a great deal of attention recently. Philosophers and social critics have begun to address the issue of whether or not corporations can have moral obligations, and if they can, whether or not they can be at fault and accountable if they violate these obligations. Closely related to this question is the question of whether or not they can be held legally accountable. These questions have typically been taken to turn around certain conceptual issues, e.g. whether a corporation is, in some sense, a person.[1] I think that this approach is mistaken. In this paper, I will argue that though these conceptual issues do have a role to play, it is not the central one that many have taken it to be. The most important questions in this debate are not about the metaphysics of collectives but are questions about how we ought to treat them, whatever turns out to be the 'best' metaphysical conception of them.

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We can begin the discussion by noticing that 'person' is ambiguous between 'metaphysical person', 'moral agent', and 'moral person'. In deciding whether the question of corporate personhood is an important one, we need to examine three different concepts, viz. corporate metaphysical personhood, corporate moral agency, and corporate moral personhood.

The corporation as a metaphysical person

Peter French argues that before we can show that corporations can legitimately be held to be morally at fault, we must first show that they are metaphysical persons. He argues that a corporation is a metaphysical person, viz. a Davidsonian agent, and hence is a proper object for fault ascriptions.[2] John Ladd argues that it follows from the claim that corporations are not metaphysical persons, but are more like machines, that corporations cannot have moral obligations or be morally at fault.[3] Although I agree with French that corporations can legitimately be held to be morally at fault, I question the advisability of raising the question of metaphysical personhood here. To see why such a discussion is not the right tack to take when discussing moral responsibility, I am offering a brief discussion of personal identity and an example of individual moral fault.

The question of personal identity has focused on the question of metaphysical personhood. There is no univocal answer to the question of what it is to be a person, though the plausible

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answers can be divided into two kinds.[4] The one answer is that bodily criteria are the appropriate criteria in personal identity questions. The other is that we ought to appeal to psychological criteria in making these discriminations. Daniel Dennet suggests that part of the reason for the lack of consensus on this issue is that the issue of personhood is most often a normative issue. He argues that we typically raise questions about metaphysical personhood when we are concerned about moral questions; i.e. where we are concerned to place blame and assign fault.[5] Whether or not Dennet is correct, he has made one suggestion which is important for our purposes, and that is that we ought to be sure that the question of metaphysical personhood is the proper question to ask before we plunge into a discussion of whether a corporation is a metaphysical person.

We are concerned with the possibility of assigning moral obligation and moral fault to corporations. Should we, then, be concerned with the issue of corporate metaphysical personhood? It will help here to look at an analogous case, but one which involves an individual.

Suppose that Mr. Thotless is driving in the countryside one fine spring day. While his attention is focused on the wildflowers on the side of the road, he runs over a fence belonging to Mr. Early-Riser. Mr. Early-Riser is understandably distressed and is sorely tempted to point the finger of moral fault at Mr. Thotless. But Mr. Early-Riser is a morally upright man and hesitates before doing so because he wants to be sure that the charge of moral fault is a legitimate one. What kind of things ought he to consider here? He probably ought to consider whether Mr. Thotless ran over the fence voluntarily or perhaps recklessly or negligently. He ought to consider any excuses which Mr. Thotless offers as well. But ought he to consider whether Mr. Thotless is a metaphysical person? He ought to be concerned about whether Mr. Thotless could have avoided running over the fence, but it is hard to see why he would need to know whether, for example, Mr. Thotless' person-stages were related in the appropriate ways. The question that naturally recommends itself here is whether Mr. Thotless is a moral agent. When we are deciding the question of moral agency, we are concerned with the question of action, among other things. We want to know whether Mr. Thotless' running over the fence was an action of Mr. Thotless'. We want to know this because we want to know if it would be fair to ascribe moral fault to him in this case. The question of action comes up in a discussion of moral agency. Because of this overlap, we might be tempted to think that we must address the question of Mr. Thotless' metaphysical personhood before we decide whether he is morally at fault. I think that this is a mistaken view. We must decide whether Mr. Thotless is acting in this case, but it is really a question about whether he is a moral agent.

Returning to our problem of corporate moral responsibility, it seems fair to assume that we are worried about the issue because we want to know if a charge of moral fault can legitimately be made of corporations. It seems, then, that we ought to be concerned with the question of corporate moral agency.

The corporation as a moral agent

There are two reasons why we concern ourselves with the question of moral agency in Mr. Thotless' case. First, we want to know whether incidents like this can be avoided in the future. If we were convinced that the incident in question was not a voluntary act, we would have a good reason for not ascribing fault or accountability for it. Such ascriptions would not serve to inhibit the recurrence of such incidents. (These are not conclusive reasons, however. We may decide to hold the party accountable anyway because the victim may need to be compensated and there may be no other plausible way to compensate him. There are other reasons as well for ascribing accountability in the absence of voluntary action.)

The other reason why we concern ourselves with the question of moral agency in this case is because we would think it unfair to hold Mr. Thotless accountable if he could not avoid running over the fence. We may be able to defend the assignment of accountability some other way, but it is important to notice here that we do think that the assignment of accountability where the act was not a voluntary action does need to be defended.

Hart offers a defense of this intuition as it applies to the legal system,[6] and we can offer an analogous defense of it as it applies to moral accountability.

Hart argues that the legal system is best characterized as a choosing rather than a goading system. A goading system is one in which people comply with the law because they are forced to comply, because other options are closed by the threat of legal sanctions. Hart argues that a legal system ought not to operate this way. Rather, it should protect the individual's ability to make choices. The free exercise of this ability requires that he be able to predict what the outcome of certain choices will be. Some of the individual's choices will be less attractive because choosing them involves placing himself in legal jeopardy, but he can weigh the probability and severity of the consequences when he decides about what action to take. It is incompatible with the primary goal of this system (i.e. to protect the individual's ability to choose) to punish an individual where he had no choice about whether to conform to the law. The individual cannot then accurately predict what the legal consequences of certain actions will be.

I shall argue that a system of moral rules is also a system of choice and not of goading. If a person acts or refrains from acting in some way merely to avoid punishment or because he was forced into acting or refraining from acting in that way, we will not describe his act as 'morally good'. His intentions count against such a description. He must freely choose to act in the appropriate way and for the right reason before we describe his act as 'morally good'. If free choices have this value in a moral system, then we have a reason for not holding a person morally at fault for not doing something over which he had no control. If we would not praise a person for doing something which they could not help but do, then we should not blame a person for doing something which they could not help but do.

There is an obvious reason why we ought to concern ourselves with the question of whether a corporation can fill one requirement of moral agency, viz. whether a corporation can act. If a corporation cannot act, then we might be wasting our time if we assign fault or accountability with the intention of changing its behavior and influencing the behavior of other corporations. We can, I think, give an account of what it is for a collective to act voluntarily. Briefly, the account is that individuals act for corporations in much the same way as lawyers act for clients when they are given power of attorney. The person is considered to be acting for the company when he fills the appropriate role in the company and when his decision is authorized by the proper procedures.

Do we need to go on and consider the question of whether a corporation ought to be treated fairly? I think we can put this as a question about whether a corporation is a moral person. I shall put the issue of moral personhood in the guise of talk about rightholders, and examine the suggestion that corporations can be rightholders. I am aware that one might argue both that there are identifiable moral persons and that there are no moral rights. I am appealing to the concept of moral rights because so much of the talk about moral personhood is couched in these terms.

The corporation as a moral person

Another reason for saying that the fairness conditions under discussion ought to extend to nonrandom collectives is that they are moral persons. Peter French defends this view, "... corporations can be full-fledged moral persons and have whatever privileges, rights, and duties as are, in the normal course of affairs, accorded to moral persons".[7] If we accept the view that moral persons have a right to be treated fairly and corporations are moral persons, then they have the right to be treated fairly. The right to be treated fairly requires that we refrain from making moral fault attributions of the person who has the right, unless we can show that certain conditions are met. If the corporation is a moral person, we must deal with it as carefully as we must deal with Mr. Thotless.

Corporations have been recognized as persons by our legal system. Justice Marshall in Dartmouth college v. Woodword (4 Wheat 515, 4 L Ed 629) ruled that a corporation is an "artificial being... (which) possesses ...those properties conferred on it by its charter. Among these are immortality and individuality".[8] If there are good reasons for insisting that corporations have substantially the same legal rights as individual persons, perhaps we should agree that they have the same moral right as well.

This, by itself, is not a sufficient reason to agree that corporations have moral rights. One might be tempted to see this as a reason why a corporation has moral rights because of some confusion about the relation of legal and moral rights.

French does not offer any argument for the claim that a corporation is a moral person. He does argue that corporations can act voluntarily (i.e. are Davidsonian agents). Presumably then, he thinks that this is a reason for saying that they are moral persons. But this is not a sufficient reason; it requires an argument. I shall offer some possible arguments which might be offered. All the arguments will take this general form:

(S-1) Moral persons are creatures which have moral rights.
(S-2) These rights attach to moral persons in virtue of some property which moral persons share.
(S-3) Corporations have the relevant properties.
(S-4) So, corporations have moral rights and
(C) Corporations are moral persons.

These arguments will differ in terms of the property(s) mentioned in (S-2).

Joel Feinberg has argued that "the sorts of beings who can have rights are those who have (or can have) interests", and that interests are "compounded out of desires and aims ...which presuppose beliefs".[9] On this analysis it might look as though formal organizations, at any rate, can have rights. A formal organization does have goals, indeed it is by appeal to the goals of the organization that we are able to ascribe an action to the organization. If a captain runs a ship aground his action is not ascribed to the Navy, but if he takes his ship on routine maneuvers this action is acribed to the Navy. We ascribe the action to the Navy in the one case because routine maneuvers are designed to maintain an alert Navy and this is a goal of the Navy. If having a goal is roughly synonymous with having an interest, then formal organizations can have rights.

But I think that 'interests' in Feinberg's sense is not synonymous with this sense of 'goals'. Corporations cannot be said (except metaphorically) to have desires or beliefs. Having a desire involves an attitude towards the object of desire which corporations do not have. If I desire a new car, for example, I will have certain emotions about the car. If my desire is satisfied, I will feel joy; if it is thwarted, I will be disappointed. Corporations do not have emotions. We cannot, then, make the argument work by appealing to having an interest as the relevant property.

Hart divides rights up into general and special rights and argues that both are based on a natural right, the right to be free, which the rightholder has in virtue of her capacity to choose.[10] I have argued that collectives can engage in voluntary action and hence, on Hart's analysis, could be said to have rights.

This is perhaps the most compelling suggestion for the type of property which we could appeal to in order to make the claim that corporations are moral persons, viz. the capacity to choose. What I should like to add is that this is not a sufficient condition for being a rightholder.

Mary Anne Warren adds several other conditions to those suggested by Feinberg, but the one I would like to endorse is that a rightholder must have the capacity to feel pain.[11] One can argue that corporations feel pain, but this is clearly to speak metaphorically. Corporations can suffer reverses, but they cannot be said to suffer emotional distress at the prospect, and they certainly do not feel physical pain. Humans do feel pain. It is not just that humans have interests and the capacity to act on them which qualifies them as rightholders, but that they care whether or not they can pursue these interests; they feel both psychic and physical pain. It is this capacity to feel pain which explains our abhorrence of physical and mental abuse of human (and other suffering) creatures. I would also agree with Warren that a concept of self-awareness is also a necessary condition for rights. In order to feel pain at my inability to pursue my interests, I must have a sense of myself in the future. The fleeting pain of a lower animal cannot be compared to the pain of a conscious creature which is able to project itself into the future, to imagine the continuation of the pain. Now collectives simply cannot be said to feel pain, though they can be said to have their interests affected negatively.[12] Since they cannot feel pain, they cannot be said to have rights. Since they do not have rights, we cannot appeal to rights as a justification for not ascribing moral fault to them until the standard conditions for such ascriptions have been met.

An example of corporate moral fault

We can now look at an example which, while fictional, highlights many of the problems faced in discussing issues of corporate responsibility. We shall see, I think, that the approach which I have sketched above (the conceptual approach) is not the most fruitful way to begin thinking about this example, though some conceptual issues will need to be discussed along the way.

Consider the following example. An automobile manufacturer markets a car which is dangerously defective. On examination we note the following things about the history of this product. Corporate executives in planning decided that their company needed to market a small car which would have good gas mileage and which would compete in price with Japanese imports. These executives met with executives from the finance department who told them how much they could invest in such a product and still make the margin of profit that the board of directors deemed necessary. This figure, along with the details of the type of vehicle desired, was passed on to the engineering department. The project was several years in the making, and during those several years, meetings continued between executives in planning, marketing, finance and engineering. Several design problems emerged somewhere along the way, none of which could by themselves have led to a dangerously defective vehicle. Each design defect was duly reported by the engineers who worked on that part of the project, but no design engineer worked on all phases of the project. Two things happened to the information which was passed on. The first was that some of it was suppressed because, as Christopher Stone points out, no one wants to be the bearer of bad news.[13] Second, information was not passed on because it was not considered to be serious enough to be brought to the attention of the next level in the information network. So the car was produced at great cost and was ready for its final testing. The safety engineers in charge of this phase of the project had evidence that the car was defective. Some of them failed to recognize the importance of this evidence. Perhaps they thought that the evidence could be satisfactorily explained away. "The car did pull to the right, but the road was slick on some of those days and the wind was particularly strong the entire month." Some of the engineers might not have been very good at noticing the importance of new data. Some might have been so afraid of being the one to blow the whistle that they unconsciously repressed their knowledge that the evidence was evidence *of* a design defect. Other engineers were perhaps convinced that the evidence was important and that the explanation of it had to be that the car had a dangerous engineering defect. Some of these engineers passed this information on to their superiors and some kept silent. The ones who kept silent did so for two reasons. The first was that they were afraid that they would lose their jobs if they spoke up. They were well aware that the company had invested a tremendous sum in the production of this vehicle and that the marketing department had spent a fortune on marketing and was committed to unveiling the car at a particular time. Others kept silent because they were convinced that someone else would notice and report the defect. The information which was passed on never reached the top because people all along the way did not pass it on for the same variety of reasons which our engineers had. The sad consequence was that the car was produced, marketed, sold and involved in several fatal accidents because of the engineering defect. Now we have some thorny issues to consider. First, we must decide whether the company was morally at fault and morally accountable for the accidents. Second, we can ask the same question about the individuals who were involved in the planning, financing, design, testing and marketing of this car. Before we can even ask this question, we need to get a handle on what it would mean to be involved here.

How are we to decide whether this collective is at fault? If we were dealing with a moral person, certain conditions which I have characterized as fairness conditions would have to be satisfied. We are not dealing with a moral person, though, so we do not need to concern ourselves with these conditions.

Conditions for corporate fault responsibility

I have argued that we need not show that a corporation meets the conditions for fault responsibility which we insist on in the case of individual persons. We can ask what conditions we should insist on in the case of corporations. I will sketch the direction in which such an analysis should proceed. First, it is not sufficient to say, "Well, we would not be treating a corporation unfairly by ascribing moral fault to it, so let us do so whenever we want to". This response is suspect on two grounds. The one is that it ignores a basic feature of such fault ascriptions. They do have a purpose; we make them when we object to certain types of behavior which we want to discourage. There must then be some relation between the ascription and the behavior in question. I suspect we shall want to insist on causal responsibility at least. Now this is a difficult notion in any case, and far more difficult when the causal role is played, in part, by an institution. But if we are going to inhibit the behavior in question, we must make an attempt to locate and respond to its causes. The second reason why we should not want to ascribe moral fault to corporations whenever we get the urge is that such ascriptions will have some effect on the individuals who are members of the corporation. Though we have no duties of fairness to corporations, qua moral persons, we do have such duties to the individuals who function within corporations. A corporation may offer other reasons why we should treat it fairly. It may appeal to the consequences of a lack of fairness, or it may appeal to the rights of its members. These are important considerations, and we may decide, in some cases, that we should treat corporations fairly. The corporation cannot, though, appeal to its status as a moral person as a justification for its claim to fair treatment.

The second condition we ought to insist on is that the fault not be analyzable as the mere sum of the moral fault of individual members of the corporation. We would not hold Ford Motor Company responsible for using obscene language because the chairman of the board made an obscene phone call from his desk during office hours, either. It is when the fault must be shared by institutions within the corporation, e.g., decision-making procedures and information gathering networks, that we point a finger beyond the individuals involved to the corporation itself.

Though we do not want to insist that a corporation meet the same conditions for moral fault and accountability ascriptions as moral persons do, the work involved in deciding whether corporations are metaphysical persons is not wholly misguided. While we do not need to solve this issue before we can decide whether corporations can be, in principle, morally at fault, a discussion of the issue is useful in deciding whether a particular corporation is at fault and in gauging how best to modify its behavior. Much of the work involved has been to analyze how corporations act. We do need to know as much as we can about this before we can influence corporate behavior. This is, after all, one of the reasons why we make fault ascriptions. In addition, we need to be able to sort out those cases in which it is fair to stop at an ascription of individual moral fault. The chairman of the board is not acting within his role as chairman when he makes the obscene phone call, hence his behavior does not implicate Ford. In other situations, though, his behavior would implicate Ford. We need some guidelines about when to attribute his acts to him alone, and when to attribute them to Ford. An analysis of corporate action can solve this problem, I think. Third, we must be able to distribute some of the fault to the individuals involved. In assessing individual contributions, we need to know a great deal about how collectives act.

Let us turn again to our example. We can now see that we do not need to show that our corporation is a person before we can show that it is morally at fault. We need not, then, appeal to the conditions for ascribing individual moral fault in deciding whether this collective is morally at fault. We can, instead, apply the conditions sketched above for corporate fault. The cause of the accidents is the engineering defect. The cause of the engineering defect itself will be much more difficult to pin down, but whatever the details turn out to be, the cause will certainly rest within the corporation. The second condition is also met. Though individuals do share the fault for this defect, the institution itself contributed to the production of the car with the defect. We can point here to information systems which did not always function to bring news of the defect to those on top, and to the diffusion of responsibility which influenced the individual decisions not to get involved, and to the emphasis on making a profit and capturing a large share of the market, which together functioned to suppress news of the defect.

The important issues that we will need to go on and discuss are the following. First, should we hold any individuals morally at fault? The answer to this question will involve us in some detailed analysis of the behavior of collectives, and this corporation in particular. In addition, the thorny issue of corporate social responsibility raises its head here. Milton Friedman argues that because corporate executives have obligations only to shareholders, their behavior in the example is permissible so long as it did not violate the law.[14] We will also want to raise psychological issues; we shall want to notice how individual behavior is influenced by roles.[15] The issue of self-deception also figures in our example. The psychological issues are relevant because we must decide on the excuses which are available to the members of the corporation. This is not an exhaustive list of all the issues involved in this case, but it is, I think, sufficient to show that the question of whether this corporate entity is a metaphysical person is not the central issue which needs to be addressed when we are discussing the moral fault and accountability of this collective.

Summary

To summarize, one need not argue that a collective is a metaphysical person in order to ascribe fault responsibility or accountability to it. The conditions that we impose before we make such ascriptions to individuals are fairness conditions. We do not hold a moral person at fault if the act in question was not within her control. But corporations are not persons in the same way that you and I are; there is no analogous reason to be fair to them. We want to modify their behavior if we think it inappropriate. In deciding how to do this, the considerations are utilitarian; we want to gauge the effectiveness of alternative courses of action. But, in doing so, we will want to consider the effects on the individuals involved; we do want to be fair to them.

The effort to analyze collective action which is part of the effort to analyze whether a collective can be a metaphysical person is not wasted; it is, in fact, extremely valuable. In order to see why, we can look at our example. We shall want to do two things here: compensate our victims fairly, and see to it that such problems are less likely to arise again. Both of our goals can only be accomplished if we understand how collectives act. Part of the problem of deciding upon fair compensation is to decide who should pay. In our case we should look at the individual decisions which were part of the collective act of producing and marketing the car. Perhaps it will not be feasible to look at every individual contribution, but making some attempt to assign the cost fairly is worth the effort for two reasons. One, because the engineer who deliberately suppressed evidence which he recognized as evidence of a safety defect should not be treated in the same way as the engineer who tried to pass on the same information. Treating them both the same is both unfair and, in addition, less likely to prevent future occurrences than different treatment would. Two, because we can best effect the behavior of collectives by this kind of internal auditing. This brings me to the second goal, reducing the likelihood of such behavior repeating itself. If we want to have some effect on corporate behavior, we need to understand how it functions; we need general theories which allow us to predict the consequences of different sanctions.

Notes

1 Several writers on corporate responsibility have taken this to be the central issue. David Copp is perhaps the strongest adherent of this view. See 'Collective Actions and Secondary Actions', *APQ* 16 (1979), 177–186. This is a very detailed analysis of how collectives can act. See also, *Individuals, Collectives and Moral Agency* (Ph.D. thesis, Cornell, 1976). Peter French is also committed to this view. See, 'The Corporation as a Moral Person', *APQ* 16 (1979). Others who are implicitly committed to this view are Virginia Held, 'Can a Random Collective of Individuals be Morally Responsible?', *Journal of Philosophy* 67 (1970), 471–481, and Patricia Hogue Werhane, 'Formal Organizations, Economic Freedom and Moral Agency', *Journal of Value Inquiry* 14 (1980), 43–50.

2 Peter French, 'The Corporation as a Moral Person', *American Philosophical Quarterly* 16 (1979), 207–215.

3 John Ladd, 'Morality and the Ideal of Rationality in Formal Organizations', *Monist* 54 (1970), 488–516.

4 For a discussion of Personal Identity see *Personal Identity*, ed. by John Perry (University of Ca. Press, 1975) and *The Identities of Persons*, ed. by Amelie Oksenberg Rorty (University of Ca. Press, 1976).

5 Daniel Dennett, 'Conditions of Personhood', in Rorty, pp. 175–196.

6 H. L. A. Hart, *Punishment and Responsibility* (Oxford University Press, 1968), Ch. II.

7 French, *op. cit.*, p. 207.

8 See Walter R. Goedecke, 'Corporations and the Philosophy of Law', *Journal of Value Inquiry* 10 (1976), 81–90 for a discussion of the legal status of corporations.

9 Joel Feinberg, 'The Rights of Animals and Unborn Generations', pp. 587–8.

10 H. L. Hart, 'Are There Any Natural Rights?', *Philosophical Review* 64 (1955), 175–91.

11 Mary Anne Warren, 'On the Moral and Legal Status of Abortion', *The Monist* 57 (1973), reprinted in *Social Ethics*, ed. by Thomas Mappes and Jane Zembaty (McGraw-Hill, 1977), pp. 17–23.

12 William Lycan and Daniel Dennet have proposed a 'homunctionalist' theory of mind in which they hold that a person is like a corporation. This suggests that the claim that a corporation is like a person is less odd than it might seem. Lycan even suggests that perhaps we could say that a collective (the population of China) could be said to be conscious if it were organized in the proper way. Presumably, then, it could be said to be in pain if it met some organizational constraints. Lycan is, understandably, leery of making this claim, though he doesn't deny it either. See 'Form, Function, and Feel', *Journal of Philosophy* 75 (1981), 24–50.

13 Christopher Stone, *Where the Law Ends* (Harper & Row, 1975), Part IV.

14 Milton Friedman, 'The Social Responsibility of Business is to Increase Its Profits', reprinted in *Ethical Issues in Business*, ed. by Donaldson and Werhane, pp. 191–197.

15 Alisdair MacIntyre has an interesting discussion of this aspect of the problem. See 'Corporate Mondernity and Moral Judgement: Are they Mutually Exclusive?', in *Ethics and the Problems of the 21st Century*, ed. by K. E. Goodpaster and K. M. Sayre (University of Notre Dame Press, 1979), pp. 122–135.

(continued from p. 70)

duction are by B. Howe, and S. Slaughter and E. T. Silva, covering the birth and early development of foundations in the twentieth century. The emphasis of the pioneers in American philanthropy was in a scientific approach to obtaining the biggest bang for a buck. While Rockefeller seems to have hired a Baptist minister, F. T. Gates, to systematize his giving, Carnegie seems to have developed his own program. Of the three ways of disposing of one's fortune, namely, "by leaving one's wealth to family members, by bequeathing it for public purposes, or by administering it during one's own lifetime" (p. 30), Carnegie preferred the latter. Considering the first option he said "I would as soon leave to my son a curse as the almighty dollar". As the record clearly shows, not only sons, but daughters, uncles, aunts, cousins, indeed virtually anyone with some appropriate genetic connection to great wealth is typically 'cursed' with some share of it sooner or later. (See, for example, A. C. Michalos, *North American Social Report,* Vol. 5, 1982, Chapter 12.) About the second option, Carnegie claimed that "Men who leave vast sums in this way may be thought men who would not have left it at all had they been able to take it with them... there is no grace to their gifts" (p. 30). The third way was, he thought, the "only one really constructuve alternative for millionaires... to give away their fortunes before they died, in ways which would benefit the community" (p. 31). Moreover, he thought more good could be done by giving away big amounts to a few rather than small amounts to many.

There were, of course, additional alternatives. Henry Ford, for example, set up "an innovative profit-sharing plan for Ford Motor Company employees" in 1914 (p. 44). Since few, if any, millionaires seem to have emerged from the plan and Ford's own fortune enjoyed continued disproportionate growth, the magnitude of the innovation should probably not be overemphasized. When Theodore Roosevelt won the $40,000 Nobel Prize in 1907, he turned it over to the government (p. 45).

The Chairperson of the U.S. Congressional Commission on Industrial Relations, F. P. Walsh, said in 1915

> it might be better for persons controlling very large industries, instead of devoting the excess profits to the dispensation of money along philanthropic and eleemosynary lines, that they should organize some system by which they could distribute it in wages first hand, or give to the workers a greater share of the productivity of the industry in the first place. (p. 40)

J. R. Lawson, testifying to the Commission on behalf of the United Mine Workers, was less circumspect. He said "it is not their money that these lords of commercialized virtue are spending, but the withheld wages of the American working class" (pp. 42–43).

Apart from the question of whose money it really is that is being distributed by foundations, the Reverend J. H. Holmes of the Harvard Divinity School told the Commission that he thought

> the American foundation as a social institution was "essentially repugnant to the whole idea of a democratic society" because of (1) the tainted origin of its funds, (2) the cliquishness of its administration, ...(3) because the foundation impinged on people's opportunities to identify and attend to their own social needs without outside interference. ...(and) because of their potential to influence public debate on controversial issues.... (pp. 44–45)

Holmes didn't criticize the 'millionaire foundation-creators'; he simply "decried a political economy that left to any individual the burden of deciding how to dispose of a great fortune" (p. 45). As indicated above, there are some fairly swift, straightforward and honorable ways for people to relieve themselves of such 'burdens'. The fact that 'cursed' people have seldom made use of such remedies and that a social institution so "essentially repugnant to the whole idea of democratic society" should have been born and flourished in a land in which the myth of democracy is given such prominance is, to say the least, thought-provoking. It appears as if allegedly democratic societies have bred their own species of institutions to legitimate essentially undemocratic practices.

Another early entry into the game was the Russell Sage Foundation, which was chartered in 1907. Sage's special emphasis was "the support and creation of social service organizations". Their typical mode of operation was to fund community surveys to identify special problems, publicize the results, mobilize local resources and volunteers, and try to solve the problems with a variety of social services (pp. 57–60). The dark side of this apparently reasonable strategy is summarized by Slaughter and Silva, claiming that the possibilities of reform that might emerge from such operations were limited by a strong and binding commitment to the very social process that underlay the poverty that so concerned them — accelerating industrial capitalism. Thus they saw poverty as an individual problem involving personal limitations — improper education, physical disabilities, bad work habits — and not as a structural problem inherent in capitalistic development. They did not see low wages as the other side of capital formation, nor did they view wageless unemployment as the result of widespread mechanization. ...They did not see the problems inherent in the vast, socially irresponsible wealth such as that held in the hands of the robber barons, in the unprecedented concentration of social power in the corporate economy, and in the expression of that extraordinary wealth and power in rigged elections, purchased legislation, and, indeed, the wholesale corruption of liberal democratic political reforms. (p. 58)

Of course Slaughter and Silva are right. But what follows from it? Must one be a co-opted reformer or a radical revolutionary? I don't think so. Indeed, I think these authors and others in this book have shown us a viable alternative. Reformation is possible provided that one fixes one's attention and mobilizes one's resources on an appropriate set of problems. I have addressed this subject from several sides in my *North American Social Report*, and will not dwell on it here. The fact that the richest fifth of North Americans have over 70% of the wealth is a serious and fundamental problem, and the gradual redistribution of that wealth seems to be the way to solve the problem. Somewhere high on the agenda of things to be cut back in these times of economic austerity, we must include the great concentrations of wealth, including those that are laundered in charitable foundations.

There are a variety of scholarly giants of one sort or another who have figured prominently in the work of foundations, and whose activities are reviewed by the authors in this book. The first extended review is given by R. Marks concerning E. L. Thorndike and his "fifty books and over 450 articles" on mental development and educational psychology. Thorndike was a pioneer in the field of quantitative social science, believing that "Measurement was the new key to unlocking the secrets of human variation" (p. 92). Moreover, it was precisely human variation, or in Marks' phrase, 'individual differences' that seemed to be the fundamental substantive ingredient in Thorndike's scientific and sociopolitical theories. In the classical nurture versus nature controversy over human characteristics, Thorndike was a radical naturalist. In 1914 he wrote that

The differences in intellect, character and skill which separate individual human beings from the average or from the modal condition of man as a species seem to us now as obvious as the differences between species of animals, and as important for the understanding and control of nature as the common features of human action. (p. 90)

The implications of such 'differences' for the 'understanding and control of nature' in the realm of education, for example, included the view that

The approved theory of education for any person ...is to fit him to respond well to the situations which he will meet. ...Each individual by sex, race, hereditary equipment and the circumstances of time and place in which he is born, is made likely to meet certain situations rather than others during life, and it is to be competent and happy in those situations that he particularly needs to be taught. It would be wasteful to train the Jews and the Negroes identically. (p. 97)

The masculine pronouns do not appear by chance. In Thorndike's view, women

should not be trained so much for professions like administration and statesmanship but rather for professions like nursing, teaching, and medicine where their average intellectual level was necessary. The female's intellectual level and her maternal, nursing instinct, which seemed to involve "unreasoning tendencies to pet, cuddle and 'do for' others", made the women especially fitted for certain fields. Yet while for example women were fitted and might capture the teaching profession, they would not fill its most eminent positions. (pp. 97–98)

Marks's assessment of the social, political and economic consequences of Thorndike's 'approved theory of education' is right on the button.

> In proposing special training for blacks, women, and thing thinkers, Thorndike was rationalizing the existing social order and was assuring, through providing for innate individual differences, that these groups would be locked into their relative present positions in the socioeconomic order. By providing these groups an education that was compatible with their 'nature', it was assured that these groups were locked into their existing place in the social order. ... Furthermore, the process was mystifying; while formerly, for example, industrial education for blacks was significantly promoted on the grounds of keeping Negroes in their place, now it was promoted on the grounds of providing for individual differences. (p. 98)

Remarkably, even those on the nurture side of the nature-nurture controversy were able to accept the 'approved theory of education', though it is not clear to me how much Lamarckian biology they had to swallow along the way. If it is assumed that education is to prepare one to "respond well to the situations which he will meet" and if poor kids, rich kids, etc. are likely to encounter very different situations, then they ought to receive very different educations. For this argument, nothing hangs on the nature-nurture controversy. It's simply a matter of finding out what people are used to and giving them more of the same. Thus,

> Whether based on innate or acquired makeup, a self-fulfilling prophecy was built into programs like the differentiated curriculum: for one received appropriate training grounded in innate or acquired differences that locked one into his existing position in the social order. ...Aided by foundation dollars and leadership, the conceptualization and institutionalization of programs providing for individual differences promoted a consciousness of reality based on the limitations rather than the possibilities of human nature. It created a secular version of original sin ...and perpetuated past inequalities. ...It generated a principle of social reform that decisively shaped eugenic reform and significantly influenced the parameters of dialogue on environmental social engineering. In the process, the concept of individual differences ...provided a fundamental legitimation of industrial capitalism. (p. 118)

The impact of foundation money on education in a variety of contexts is emphasized in other papers in the volume. For example, J. D. Anderson and E. H. Berman explain the operation of foundations in promoting a special sort of higher education for black people in the United States and Africa. According to these authors, the philosophy behind the philanthropy that led to the founding of the Hampton Institute in 1869 and the Tuskegee Institute in 1881 was to educate.

> black boys and girls "for their natural environment, and not out of it". ...This model of black education was designed to develop habits of industry, instill an appreciation for the dignity of labor, and primarily to train a cadre of conservative black teachers or 'guides' who were expected to help adjust Afro-Americans to a subordinate role in the southern political economy. The Hampton–Tuskegee program presupposed the existing racist social order and the inferior sociopolitical roles that it prescribed for black Americans. (p. 157)

Quoting from the horse's mouth some words that would more properly emerge from another part of this proverbial animal's anatomy, Anderson informs us that in the view of the first president of Rockefeller's General Education Board (W. H. Baldwin) in 1899,

> In the Negro is the opportunity of the South. Time has proven that he is best fitted to perform the heavy labor in the Southern states. "The Negro and the mule is the only combination so far to grow cotton." The South needs him; but the South needs him educated to be a suitable citizen. (p. 155)

Baldwin regarded it as "a crime for any teacher, white or black, to educate a Negro for positions which are not open to him" (p. 155). When the General Education Board decided to 'improve' Fisk University in the years from 1915 to about 1925, Baldwin chaired the endowment committee and in 1924 became chairperson of the executive committee of Fisk's Board of Trustees (pp. 167–172).

According to Berman, just as the philanthropoids had a vision of the natural place of Afro-Americans, they had a vision for Africans, Asians and Latin Americans. Briefly, the idea was simply to have everyone serving "the dominant values of the American corporate state". The general worldwide strategy involved

> (1) the creation of lead universities located in areas considered of geo-strategic and/or economic importance to the United States; (2) an emphasis within these institutions on social science research and related manpower planning programs; (3) programs to train public administrators; (4) teacher training and curriculum development projects; and (5) training programs which shuttled African nationals to select universities in the United States for advanced training and returned them home to assume positions of leadership within local universities, teacher training institutions, or ministries of education. (pp. 208–209)

Granting that foreign students trained at such prestigious institutions as Harvard, Chicago and Stanford were probably going to get as good an education as they could get anywhere from a certain perspective, the perspective is crucial. In particular, it is doubtful that less-developed countries will have their own interests maximized by adhering to development policies that view them as fundamentally subservient to the interests of wealthy Americans. This, of course, is precisely the criticism that many Canadians have leveled against their neighbour to the south in a variety of forms. (See again, Michalos, Vol. 5, Chapter 12.) Berman notes that "there are very few African developmental economists who advocate the complete nationalization of foreign properties or a more equitable distribution of scarce resources as panaceas for underdevelopment" (pp. 219–220). In a later essay in the volume, Arnove makes similar points, e.g., pp. 322–323.

Moving from Africa to Asia, E. R. Brown describes how the Rockefeller Foundation, led by Gates, sought to "inculcate industrial culture" in China through the establishment of the China Medical Board and Peking Union Medical College in the years from 1914 to 1937 (pp. 130–140). After 23 years and about $11 million were spent on the project, the College could boast of graduating 166 physicians (p. 137). From the point of view of improving health care in China and other non-Western nations, the Rockefeller programs seem to have been "an unqualified disaster", according to one Foundation officer (p. 124).

The impact of Rockefeller money on the development of sociel sciences in the United Kingdom in the 20s and 30s is reviewed by D. Fisher. As in Canada in the 40s and 50s, practically all the money available for research in social sciences came from foundations. In the United Kingdom "The two Rockefeller foundations, the LSRM (Laura Spelman Rockefeller Memorial) and the RF (Rockefeller Foundation), were responsible for approximately 95 percent of the total expenditure during this period" (p. 240). The primary recipient was the London School of Economics. According to the School's own history of itself, in the period of the Rockefeller expenditures, "the school expanded rapidly and came to be regarded as '...the leading centre of research in the Social Sciences...' for '.. Great Britain and for the British Empire...' " (p. 244). The second leading recipient of funds was Oxford University, which proceeded to appoint lecturers in a variety of social science disciplines and to attract a "major benefaction of £1 million by Lord Nuffield and the permanent establishment of the social sciences at Oxford" (p. 247). The promotion strategy employed by foundations in Britain was similar to that employed everywhere else, i.e., find and train allies, set research agendas, establish institutions and so on. The functionalist school of anthropology pioneered by B. Malinowski was among those identified as especially congenial to status quo-oriented philanthropoids (pp. 237, 254–255).

P. J. Seybold explains the "triumph of behavioralism in American political science" as a result of the Ford Foundation's behavioral science program. The latter was supposed to be a response to a crisis in legitimation for American democracy. Citing excerpts from a 1949 report, Seybold argues that foundation personnel believed that ordinary citizens lacked a "usable definition of democracy", that they were apathetic and that some of them were inclined to hostility (p. 279).

> Thus the foundation's interest in developing sophisticated methods to analyze electoral behavior was linked closely to its efforts to judge the level and form of political protest in the United States and to develop strategies to structure that protest. Rather than attempting a program of far-reaching social reform, the foundation focused instead upon the legitimacy of existing social arrangements. ...In place of programs which might have encouraged genuine political participation by the citizenry and thus bolstered the legitimacy of institutions, the Ford Foundation tried to develop new justifications for the social order. ...In its view, a new political science could contribute to the effort of stabilizing a social structure which was experiencing "disequilibrium due to social disorganization". (pp. 297–298)

The centers of excellence emerging from Ford's largess in this period included the Institute for Social Research at the University of Michigan, the Institute for Research in Social Science at the University of North Carolina, the (late) Bureau of Applied Social Research at Columbia, the National Opinion Research Center at the University of Chigago and the Center for Advanced Study in the Behavioral Sciences at Stanford (pp. 280–285). Since I have already suggested my own appreciation of quantitative social scientific research, one would expect me to have a high regard for these behaviorist centers. Granting such a regard, it does not follow that I think the exclusive reliance on survey research would be warranted. There is certainly a place for apriori conceptualizing, philosophic speculation, theorizing and the radical critique of all beliefs. The total exclusion of such activities from science would be as silly and counterproductive as the total exclusion of data collection.

Finally, it is worthwhile to mention F. A. Darknell's analysis of the role of the Carnegie Corporation on the development of California's Master Plan for Higher Education. The Plan's emergence in 1960 was nurtured by earlier work sponsored by Carnegie and essentially represented "an extension of the lower school tracking system". According to Darknell, this

> first comprehensive system of mass postsecondary education to be developed in the United States ...was clearly tied to the social class system. It allowed everyone to enter the higher education system, but encouraged the applicants to line up at different entrances. That is, it tended to take students in at the level – junior college, four-year college, or elite university – where a class- and race-biased selection system had deposited them. ...Students from less affluent social backgrounds, already trapped for the most part in lower-class schools, tended to be channeled into terminal programs at two-year colleges. Such students would not, as a whole, go on to four years of higher education, but would instead pass through the system to emerge at the same social class level. Thus, although everyone would go to college, everyone would stay in place and move up one square. (p. 393)

In Darknell's view, the Doctor of Arts (D.A.) degree, which has been vigorously promoted by Carnegie philanthropoids, has the effect of creating a class of college-level teachers with no particular interest in or appreciation of research (pp. 399–403). Such teachers would be less likely to want to upgrade their colleges or universities by, for example, calling for reduced teaching loads in order to keep up with the moving frontiers of their fields or calling for tougher performance standards for their students. In other words, such teachers would have a better appreciation of their place in the great natural scheme of things, and would presumably have a better chance at conveying a similar appreciation in their students. And, of course, from this deeper appreciation would come social, economic and political stability and peace.

This review is a bit long and nothing has been said about three good essays by M. A. Culleton Colwell, D. E. Weischadle and D. C. Buss. Hopefully other reviewers will give these papers more space. This is an important book with important implications for people interested in business ethics.

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