

## Index

- accountability, 108, 129, 134, 135  
 active property, 133  
 Africa, 95  
 agency model, 110  
 agency principle, 45  
 agency theory, 136  
 agents, 7, 99  
 Ahold, 1  
 Alborn, T., 96  
 Alchian, A., 129, 130, 131  
 Alfred the Great, 25  
 Althusius, Johannes, 58  
*Anarchy, State and Utopia* (Nozick),  
 141, 145  
 Aristotle, 137  
 artificial person, 105
- Bainbridge, S., 135  
 Bakan, Joel  
   *Corporation, The*, 4, 156  
   corporation as pathological  
   institution, 4, 127  
   public-purpose corporations, 6  
 Bank of England, 96  
 basic structure institutions, 119  
 beliefs, 18  
 Berle, Adolf  
   accountability, 136  
   active and passive property, 133  
   *Modern Corporation and Private  
   Property, The*, 127  
   old atom of property, 130  
   ownership of property, 128  
 black markets, 74  
 Blair, Margaret, 50  
 Blair, Tony, 26–8  
 board representation, for workers,  
 40  
 Boatright, John, 47, 54, 87, 99  
 Bubble Act of 1720, 96
- Burke, Edmund, 162  
 business ethics, 34
- Campbell, R., 156, 165  
 capital, right to, 88  
 capitalism  
   morality and, 15  
   shareholder vs. stakeholder theory,  
   14–15  
   stakeholder, 88, 93  
*Capitalism and Freedom* (Friedman),  
 140  
 Carroll, A., 13  
 ceteris paribus, 82, 85  
 charter, 44  
 claim right, 86  
 class position, 71  
 Coase, Ronald, 130  
 cognitivism, 18  
 Community Interest (Audit,  
   Investigations and Community  
   Enterprise) Act 2004, 152  
 community interest company, 152  
 Companies Act 2006, 98, 151, 152–3  
 concept of right, 77  
 constitution, 44  
 constitutional choice, 46  
 contract right, 91, 147, 158  
 contracts  
   corporations as creation of, 88  
   effects of, 44  
   express signs, 93  
   fair, 43  
   fair share and, 45  
   in market economy, 91–3  
   incomplete, 51  
   macro, 114, 116  
   micro, 114, 116  
   moral force in, 126  
   moral principles and, 122

- contracts (*cont.*)
  - network of, 39, 42
  - right to enforcement of, 92
  - rights and duties in, 86
  - signs by inference, 93
  - state of nature and, 115
  - substance of, 41
- contractual duties
  - limits of, 145–51
- contractual method, 42, 43
- Convention on Elimination of All Forms of Discrimination Against Women*, 66
- convergent stakeholder theory, 37
- corporate codes, 120
- corporate governance, 28
- Corporate Governance: Accountability in the Market Place* (Sternberg), 143
- corporate scandals
  - and shareholder wealth maximisation, 5
- corporate social responsibility
  - accountability and, 136
  - definitions of, 12–14
  - doctrine of, 132–3
  - perspectives on, 3–8
  - political conception of, 47–8, 107
  - self-interest and, 35
  - stakeholder theory and, 12–16, 33, 35
- Corporate Watch, 5, 6
- Corporation, The* (Bakan), 4
- corporations
  - agency model, 110
  - as basic structure institutions, 119
  - as commercial entities, 111
  - as legal persons, 94
  - as pathological institutions, 4
  - as social contracts, 57, 101–2, 104, 111–22
  - commercial relationships with stakeholders, 96
  - distributive justice and, 78
  - fairness principle and, 55
  - general will, 47
  - in medieval England, 95
  - in Roman law, 94
  - joint stock, 96
  - legal mandates of, 4
  - legitimate objectives of, 2
  - limited liability, 96
  - multinational, 48
  - perfect duty, 126
  - property ownership, 97–100
  - property rights, 98
  - public interest and, 42, 46, 54
  - public-purpose, 6
  - regulation of, 78
  - scandals, 1
  - social responsibility of. *See* corporate social responsibility
  - social role of, 2
  - stakeholders, 26, 31
  - trade monopolies and, 96
  - trading ventures, 95
  - traits of, 4
- Corporations and Morality* (Donaldson), 112
- Crane, A., 120
- credit, 98
- Darwall, S., 18
- delegation of authority, 99
- democracy, 47
- Demsetz, H., 129, 130, 131
- descriptive stakeholder theory, 36
- desert, principle of, 78
- Dine, J., 94, 98, 152, 153
- distributive justice, 78–9
  - corporation and, 56
  - fairness and, 24
  - managers and, 21
  - organization and, 51
  - profit maximization and, 155
  - property rights and, 42, 49, 50, 55
  - stakeholder claims and, 157
- doctrine of fair contracts, 44
- Donaldson, T.
  - Corporations and Morality*, 112
  - distributive justice, 49, 50
  - integrative social contract, 57, 114
  - legal framework of corporation, 120
  - property, 55
  - property rights, 49
  - society, 112
  - stakeholder theory, 8, 15, 35
- Doscher, Marion, 26
- Dunfee, T., 57, 114, 120
- Dunlap, Al, 5

- duty of beneficence, 126, 149  
duty of fair play, 77  
duty of right, 147  
duty of virtue, 147, 152, 159
- East Indies, 95  
economic freedom, 15  
employees  
    labour time of, 98  
ends, 147  
Enron, 1, 4–5, 137  
equality, 70, 78  
equity, 68  
ethical claims, 17, 18, 21  
ethical convictions, 18, 19  
ethical investment, 146  
ethical language, 18, 19, 20  
ethics, 33–9  
Etzioni, A., 41  
European Convention on Human Rights, 66  
European Union, 13  
Evan, W., 40, 43  
express signs, 93
- facts, 19  
fair share, 45  
fairness, 50–2, 76–7  
fear of oppression, 60  
formal justice, 69  
free market, 7  
freedom, 62  
Freeman, R. Edward  
    corporate purpose, 10  
    corporate scandals, 5  
    corporate social responsibility, 12  
    corporation as contract, 104  
    ethics, 37  
    managerial opportunism, 137  
    shareholder value vs. stakeholder interests, 9  
    stakeholder theory, 15, 24, 29–32  
    *Strategic Management*, 24  
    transaction cost, 43  
    veil of ignorance, 43  
    voting membership, 40  
Friedman, Milton, 11  
    *Capitalism and Freedom*, 140  
    corporate social responsibility, 6, 126
- corporations, 126  
managers, 145  
shareholder theory, 14, 32
- gambling, 27  
general will, 47, 108  
Goodpaster, K., 30, 34  
governance, principle of, 45  
Greenland, 95  
group theory, 30
- Hare, R. M., 19  
harmony, 103  
Hart, H. L. A., 77  
Hayek, F. A., 164, 165  
Henderson, D., 132  
Heugens, P., 115  
Hobbes, Thomas, 59  
    contract, 92  
    equity, 68  
    fear of oppression, 60  
    good and evil, 63  
    motivation for forming corporations, 120  
    person, 105  
    property disputes, 63  
    second law of nature, 61  
    society, 75  
    sovereignty, 108  
    war, 61  
Höpfl, H., 57, 58  
Hutton, Will, 27
- imperfect duty, 126, 127  
inclination, 19  
inference, signs by, 93  
injustice, 59  
Inkpen, A., 135  
instrumental stakeholder theory, 34, 36  
integrative social contracts theory, 57, 114  
intelligible possession, 89  
international law, 65  
Islamic law, 66
- Jensen, M., 99, 132, 133, 134, 135, 138  
joint stock corporations, 95–6  
Jones, T., 36, 38  
judgement of rights, 63

- Just Business* (Sternberg), 143  
 justice, 42, 69, 78
- Kaler, J., 14, 34, 47, 137
- Kant, Immanuel, 57  
   categorical imperative, 126, 146  
   civil condition, 65  
   consent, 59  
   contracts, 92, 126  
   contractual duties, 146–8  
   imperfect duty, 127  
   judgement of rights, 63  
   *Metaphysics of Morals*, 89, 126  
   perfect duty, 126  
   sovereignty, 60, 109, 121  
   State of Nature, 62, 64
- Keeley, M., 106, 110
- Kitson, A., 156, 165
- Koutsias, M., 94, 98, 152, 153
- Labour Party, 26
- Law, Legislation and Liberty* (Hayek), 164
- Law of Corporations, The*, 95
- laws of nature, 61
- Lectures in the History of Political Thought* (Oakeshott), 160
- legitimate interests, 8, 32, 37, 38
- Leviathan* (Hobbes), 116
- libertarianism, 141, 145
- liberty, 62, 67, 71
- limited liability, 4, 40, 96
- Locke, John  
   judgement of rights, 63  
   labour, 90  
   property rights, 49, 89  
   *Second Treatise of Government*, 62, 67  
   society, 74  
   State of Nature, 64  
   *Two Treatises of Government*, 59
- logic, 19
- logic of sovereignty, 121
- logical positivism, 17
- Mackie, J., 20
- macro contracts, 114
- macrosocial contract, 116
- managers  
   accountability of, 47, 107, 121, 134  
   as agents of corporations, 98, 142  
   as agents of principals, 99, 110  
   as shareholder agents, 49, 111, 132, 136  
   as trustees for employees, 110  
   contractual responsibilities, 145  
   decision making of, 154, 167  
   distributive justice and, 21, 55  
   imperfect duties and, 152  
   objectives of, 6  
   obligations of, 11, 17, 51, 77, 99, 126, 136, 145, 147, 149  
   opportunism and, 5, 137  
   profit maximisation and, 56, 140, 146  
   property rights and, 7, 87  
   self-interest of, 135  
   shareholders and, 12, 106, 144, 148, 149  
   sole objectives of, 6  
   stakeholders and, 36  
   value creation and, 10, 103
- Marcoux, A., 41, 126, 144
- Margolis, J., 118
- market economy  
   and free society, 6  
   business role in, 7  
   concept of trade in, 82–6  
   contract in, 91–3  
   corporate objective in, 94–100  
   corporate social responsibility in, 12–16  
   ethical principles of, 86–94  
   property rights in, 89–91  
   reform of, 6  
   stakeholder theory in, 12–16
- market exchange, 82, 102
- market value, 85
- Marx, Karl, 84
- McLibel, 1
- McMahon, C., 110
- McNulty, M., 47, 104
- Means, Gardiner  
   accountability, 136  
   active and passive property, 133  
   *Modern Corporation and Private Property, The*, 127  
   old atom of property, 130  
   ownership of property, 128

- Meckling, W., 99  
 medieval England, 95  
 meritocracy, 116, 117  
*Metaphysics of Morals, The* (Kant), 89, 126  
 micro contracts, 114  
 microsocal contract, 116  
 Mill, John Stuart, 77, 137  
 minimum wage, 56, 78  
 Mitchell, R., 8  
 modern company, 96  
*Modern Corporation and Private Property, The* (Berle and Means), 127  
 money, 91, 98  
 monopolies, 96  
 moral argument, 18, 19, 171  
 moral equality, 70  
 moral law, 146  
 moral obligations, 77  
 Moriarty, J., 118  
 multinational corporations, 48  
 Munzer, Stephen, 78
- Nagel, Thomas, 20  
*National Labour Relations Act* (1935), 121  
 natural duties, 77  
 natural person, 105  
 neo-liberal free market, 85  
 neutralist liberal states, 118  
 New Labour, 24, 26  
 normative stakeholder theory, 39–52  
   categories, 39  
   contracts in, 40  
   corporate control in, 39  
   principle of fairness in, 50–2  
 Nozick, Robert  
   *Anarchy, State and Utopia*, 141, 145  
   libertarianism, 141  
   rights of individuals, 65, 145
- Oakeshott, Michael, 65, 160  
 obligations, 77  
 One Nation politics, 27  
 opportunism, 5, 136, 137  
 oppression, fear of, 60  
 organisational stakeholder, 30  
 Original Covenant, 59
- ownership  
   control and, 127–32  
   in concept of exchange, 90  
   right to, 88  
   rights, 90  
   vs. possession, 89
- Palazzo, G., 47, 107, 166  
 Pareto efficiency, 73  
 Parmalat, 1  
 passive property, 133  
*Percival v. Wright*, 99  
 perfect duty, 126  
 permissions, 77  
 personal property, 71, 141, 142  
 Phillips, Robert  
   agency theory, 136  
   basic structure institutions, 119  
   consent, 93  
   meritocracy, 117  
   neutralist liberal state, 118  
   principle of fairness, 42, 50  
   profit maximisation, 139  
   prudential stakeholder model, 32  
   separation thesis, 31  
   stakeholder theory, 5  
   *Stakeholder Theory and Organizational Ethics*, 5  
 political freedom, 15  
 political society  
   formation of, 75  
   nature of state and, 64  
 possession, 84–5  
   intelligible, 89  
   vs. ownership, 89  
 post-Napoleonic war boom of 1824–25, 96  
 power, 67  
 prescriptivity, 19  
 Preston, L.  
   distributive justice, 50  
   property, 55  
   property rights, 49  
   stakeholder theory, 8, 15, 35  
 principals, 7, 99  
 principle of desert, 78  
 principle of fairness, 50–2  
 principle of governance, 45  
 principle of justice, 42

- principle of stakeholder cooperation, 85
- private associations, 79
- private property, 120
  - managers and, 7, 142
  - self-interest and, 128
- production, 91
- profits
  - maximisation of, 4, 56, 139, 146
  - subjective, 17
- property, 62, 86
  - active, 131, 133
  - atom of, 128
  - consent and, 93
  - corporate ownership, 94, 97–100
  - free market and, 7
  - liberty and, 67
  - moral principles and, 122
  - neutralist liberal state and, 118
  - ownership of, 88, 89, 90, 128
  - passive, 131, 133
  - personal, 71, 141
  - preservation of, 64
  - private, 7, 120, 142
  - protection of, 118
  - regulation of, 63, 68, 69
  - right to own, 141
  - traditional logic of, 131
  - transfer of, 89, 92
  - unjustified appropriation of, 143
- property rights, 47, 49
  - corporations and, 98
  - distributive justice and, 42, 49, 50, 78
  - doctrine of strict, 132
  - free individuals and, 142
  - Locke's theory of, 89
  - managers and, 105
  - production and, 91
  - public interest and, 47, 87
  - shareholder theory and, 47, 142
  - sovereign power and, 60
  - stakeholders and, 144
  - trade and, 90, 141, 158
  - violation of, 7
- public interest, 47
  - corporate social responsibility and, 5, 6, 47, 157
  - corporations and, 42, 46, 49, 54, 95
  - property rights and, 47, 50, 87
  - stakeholder theory and, 14
- public-purpose corporations, 6
- rationality, 82
- Rawls, John, 56, 68–76
  - circumstances of justice, 69
  - concept of right, 77
  - difference principle, 73
  - expectations of the least advantaged, 73
  - moral equality, 70
  - principles of justice, 70
  - single judicial authority, 69
  - social and economic inequalities, 71–3
  - society, 74–5
  - Theory of Justice, A*, 42, 70
- reasoning, 19
- Republic* (Plato), 92
- right to capital, 88
- risks, 41
- Roman law, 94
- Rothbard, Murray, 90, 91
- Rousseau, Jean-Jacques, 59, 62, 108, 121
- Royal Dutch Shell, 1
- rule of law, 67, 69
- Russia, 95
- Sacconi, L., 46
- Salomon v. Salomon*, 94
- Saro-Wiwa, Ken, 1
- Saudi Arabia, 66
- scandals, 1, 3
- Scherer, G., 47, 107, 166
- Second Treatise of Government, The* (Locke), 62, 67, 89
- self-preservation, law of, 109
- separation thesis, 32
- shareholder theory 7. *See also*
  - stakeholder theory
  - capitalism, 14–15
  - corporation in, 7, 49, 110
  - deontological defence of, 140–5
  - ethical discretion in company law, 154
  - fairness in, 51
  - limit of contractual duties, 145–51
  - moral alternative, 39

- property rights and, 50
- separation of ownership and control
  - in, 127–32
  - vs. stakeholder theory, 8–12
- shareholders
  - board control by, 40
  - contracts, 44
  - corporate scandals and, 5
  - corporations and, 4
  - jointness of interests, 9
  - managers and, 87
  - maximising returns to, 9
  - wealth maximisation, 4, 5, 14, 138
- short-term lenders, 40
- Skinner, Q., 108
- Slinger, Giles, 26
- Smith, A., 128
- Smith, R., 66
- social contract, 22, 45–6
  - agency relations and, 87
  - aims of stakeholders in, 104
  - assumption in, 54
  - corporations as, 101–2, 110, 111–22
  - integrative, 57
  - macro, 116
  - micro, 116
  - mutual protection in, 73
  - private vs. general will in, 109
  - regulation of individuals and their property, 68
  - self-preservation and, 120
  - sovereignty and, 60, 109
  - stakeholders and, 106, 157
  - veil of ignorance and, 45
  - veil of ignorance in, 139
  - voluntary consent in, 58, 67, 111
- social contract theory, 56–68
  - integrative, 57, 114
  - Johannes Althusius, 58
  - John Rawls, 68–76
  - state of nature, 58
  - state sovereignty, 9, 65, 108
  - Thomas Hobbes, 59
- Social Contract, The* (Rousseau), 62
- social justice, 70, 74
- social pact, 62
- social responsibility. *See* corporate social responsibility
- social status, 71
- social welfare, decline of, 133
- socialism, 7, 143
- society
  - and corporation, 2
  - and market economy, 6
  - basic structure of, 73
  - contracts and, 47
  - definition of, 74
  - John Rawls's theory on, 74–5
  - private property, 7
  - productive organizations and, 112
  - stakeholder conception of, 28
  - voluntary consent and, 59
- Socrates, 92
- sovereign power, 60
  - authorisation by people, 104–9
- sovereign state, 65, 66
- SRI International, Inc., 29, 30. *See also*
  - Stanford Research Institute
- stake, etymology of, 25
- stakeholder capitalism, 88, 93
- stakeholder economy, 24, 29
  - corporate governance and, 28
  - Labour Party and, 26
  - participation in, 27
  - vs. winner-take-all economy, 27
- stakeholder theory, 2–3, 26. *See also*
  - shareholder theory
- capitalism, 14–15
- categories, 35
- consequentialist critique of, 132–40
- convergent, 37
- corporate social responsibility and, 12–16
- corporation as commercial entity, 102–11
- corporation as social contract, 111–22
  - definition of, 16
  - descriptive, 33–6
  - distributive justice, 78–9
  - epistemological status, 17
  - ethical claims, 17–18
  - ethics vs. strategy in, 33–9
  - fairness, 76–7
  - in organisations, 29–32
  - instrumental, 34, 36
  - legitimate interests, 8, 32
  - management role and responsibilities in, 8

- stakeholder theory (*cont.*)  
 methodology, 16–21  
 normative arguments for, 39–52  
 structure, 21–3  
 vs. shareholder theory, 8–12  
*Stakeholder Theory and Organizational Ethics* (Phillips), 5
- stakeholders  
 cooperation of, 85  
 creating value for, 9  
 definition of, 29–31, 34  
 etymology of, 26–9  
 jointness of interests, 9  
 legitimacy of, 32  
 management cooperation with, 10  
 organisational, 30  
 property rights, 144  
 state of nature and, 116, 117  
 veil of ignorance and, 44
- staken*, 25
- Stanford Research Institute, 26, 29. *See also* SRI International, Inc.
- state of individual production, 113
- State of Nature, 64  
 civil condition and, 64  
 constitution and, 46  
 contracts and, 115  
 freedom and, 62  
 key defect of, 58  
 labor and, 91  
 political society and, 64  
 power and, 67  
 pre-corporate, 102, 112  
 productive organizations and, 112  
 property, 62  
 rationality and, 112  
 social contract theory and, 58  
 sovereign power and, 74  
 stakeholders and, 116, 117  
 state of individual production and, 114  
 war, 62
- Sternberg, Elaine  
 accountability, 135  
*Corporate Governance*, 143  
*Just Business*, 143  
 private property, 7
- Strategic Management: A Stakeholder Approach* (Freeman), 24
- strategy, 33–9
- Strong, N., 129  
 subjective profit, 85  
 subjective value, 83–4  
 Sundaram, A., 135  
 suppliers, 41, 98  
 sustainability report, 11
- Tavistock Institute, 30
- Tax Justice Network, 149–50
- taxation, 56
- terrorist groups, as stakeholders, 31
- Theory of Justice*, A (Rawls), 42, 70
- Theory of Property*, A (Munzer), 78
- Thompson, M., 57, 58
- Ties That Bind: A Social Contracts Approach to Business Ethics* (Donaldson and Dunfee), 114
- trade, 82–6  
 concept of, 82  
 ethics in, 82  
 interpersonal aspect of, 83  
 necessary conditions for, 83–4  
 possession and, 84–5  
 property rights and, 90  
 rationality of, 82  
 subjective value in, 83–4
- trade monopolies, 96
- Trade Union and Labour Relations Act* (1992), 121
- traditional logic of property, 131
- transaction cost theory, 130
- Turkey, 95
- Two Treatises of Government* (Locke), 59
- universalisability, 19
- utilitarianism, 71
- value  
 creation of, 15  
 judgement, 17  
 market, 85  
 subjective, 83  
 universal measure of, 84
- veil of ignorance, 21  
 fairness and, 43  
 individuals and, 59, 71  
 liberties and, 71  
 social contract and, 45, 139  
 stakeholders and, 44



*Index*

185

- virtues, 147, 152
- von Gierke, Otto, 58
- voting membership, 88
  
- war, 61
- Waterson, M., 129
- wealth maximisation, 4, 5, 14
- What's Wrong with Corporate Social Responsibility?* (Corporate Watch), 5
- Wicks, A., 36, 38
- Wijnberg, N., 8
  
- Williamson, Oliver, 40
  - partisan constituencies, 136
  - shareholder authority, 131
  - shareholder risk, 130
  - transaction cost theory, 40, 43, 130
  - voting membership, 40
- Williston, S., 94, 95
- workers, board representation for, 40
- World Business Council for Sustainable Development, 12
- WorldCom, 1, 5, 137