

Introduction

The first edition of *Business Ethics: A Kantian Perspective* was followed by several papers in scholarly journals such as *Business Ethics Quarterly* and *Journal of Business Ethics* on specific topics such as “A Kantian Theory of Meaningful Work.” For a few years after publication of *Business Ethics: A Kantian Perspective*, it seemed as if I were the only person working on a Kantian theory of business ethics. More recently, however, a number of scholars have become active in the project to apply Kantian ethics to issues in business ethics. Among these scholars are Wim Dubbink, Jeffery Smith, and Amy MacArthur. *Kantian Business Ethics: Critical Perspectives*, the festschrift on my work in business ethics, presented a number of innovative ideas for expanding the Kantian business ethics project into such areas as business obligations to the environment and business obligations in the financial service sector that was stimulated by the financial crisis of 2008–09. In addition, other scholars began to show how various claims made by Kantians could be tested empirically. A more detailed discussion of how Kantian capitalism dovetails with empirical research follows later in this introduction.

The new group of scholars mentioned in the preceding paragraph have made much use of Kant’s *Metaphysics of Morals* to move the Kantian project forward. In the first edition, I ignored the *Metaphysics of Morals*, an oversight that I have tried to correct in the second edition. The second edition weaves insights from *Metaphysics of Morals* and Kant’s later moral and political philosophy throughout the chapters as the subjects under discussion warrant.

One of the areas in which the *Metaphysics of Morals* has been most helpful is in the discussion around the debate about corporate agency. That debate is one of the few areas of business ethics that I have virtually ignored throughout my career. The debate about corporate agency is the debate around the notion of whether corporations are sufficiently like people to be held morally accountable. Historically

Peter French has defended the notion of corporate agency while a host of critics have been allied against it. In this second edition, I have a lengthy discussion of this debate and my own defense of a somewhat limited notion of corporate agency. Since I want a theory of Kantian capitalism that applies to all three levels of analysis – the individual, the organizational, and the societal – I felt it necessary to provide an account of corporate agency that would allow me to speak of holding a corporate entity – as distinct from an individual or individuals in the corporation – responsible.

Philosophers and social scientists have often been in conflict about the value that each brings to the table of business ethics. Some social scientists have thought that if ethical analysis is not based on scientific facts about how organizations and businesspeople behave, then philosophical ethics and by implication Kant's ethics have little practical relevance. Some philosophers, on the other hand, have thought that their social science colleagues have missed the point, since the job of ethical theory is to ask whether the corporate conduct can be justified, and if so on what grounds. The fact that people behave in a certain way does not mean that they ought to behave in this way. As social scientists and philosophers have attended each others' conferences, especially in meetings of the Society for Business Ethics and the Social Issues in Management Division of the Academy, and have published in the same journals – *Business Ethics Quarterly* contains both empirical and philosophical research – I had thought that much of the old animosity between the two had disappeared. Unfortunately, a recent development has rekindled the animosity, especially by those called behavioral ethicists who have questioned the utility and legitimacy of philosophical ethics. Some of the leading spokespeople in that group have been quite aggressive in arguing that in light of what we know about human behavior, philosophical ethics is useless as a tool for changing corporate behavior.

In the first edition, I said the following about empirical research in business ethics: I believe that empirical knowledge does have an important role to play within Kant's theory. I then quoted Kant.

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 considerations 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.¹

Barbara Herman, a Kant scholar, follows Kant here when she says, “The *application* of the moral law, cannot be carried out, however, without empirical knowledge of the object of application.”² In the first edition and indeed throughout my research on Kantian capitalism, I have tried to show how the facts about enlightened management fit with the kinds of moral demands that a Kantian capitalism places on firms. Of course, some have criticized my attempt to show that good ethics is good business as not Kantian, but I defended myself from that criticism in chapter 4 of the first edition, and I have provided an even lengthier defense based on a number of publications since the first edition and here in Chapter 4 of this second edition.

But I can go even further in blending the ethical and the empirical. Some of my statements about what Kantian capitalism ought to do can be restated as empirical hypotheses of the following form: If a company does what it ought to do under Kantian capitalism, then, other things being equal, it will be more profitable. For example, I have indicated how the elements of a Kantian market morality could be restated as hypotheses about the evolution of an international Kantian capitalism – insights that I have developed in Chapter 5 of the second edition.

The result of all this activity is that the second edition, although the same in outline as the first edition, is radically revised. For those unfamiliar with the first edition, this Introduction provides an overview of some of the new themes tackled in the second edition as well as a chapter-by-chapter explanation of the changes I have made.

In the first edition, I did not spend too much time discussing well-known criticisms of Kant’s universalization formulation of the categorical imperative. Rather, I simply pointed out that contemporary scholars had published extended and detailed response to these criticisms. In Chapter 1 here, I have added a lengthy section discussing the responses to these criticisms, including responses from Kantian business ethics scholars.

Chapter 1 also contains the challenge of behavioral ethics, mentioned earlier here, and my response to it. Readers who would like to move directly to the insights that the first formulation provides on

issues in business ethics can skip these two sections (pp 14–26) and proceed directly to page 26.

Chapter 2 contains three significant additions. After completing the first edition, I wrote a paper focusing on a Kantian theory of meaningful work. That paper precipitated a fair amount of critical commentary, and I subsequently responded. That commentary and my response are included in Chapter 2 here. Two of the most extensive critiques were published in the aforementioned festschrift *Kantian Business Ethics: Critical Perspectives*. Although a trend toward income inequality had already begun in the 1990s when the first edition was published, that trend has steadily increased during the early twenty-first century. I argue in Chapter 2 that extreme inequality of income is incompatible with the respect for the humanity in a person formulation of the categorical imperative, and that an increased minimum wage is one policy recommendation that would bring practice more in line with what Kantian capitalism requires. Finally I have included some thoughts regarding Kantian ethics programs based on an article that Scott Reynolds and I published in *Business Ethics Quarterly*.

Chapter 3 contains my discussion of corporate agency. That discussion provides an overview of the debate as well as my limited account of corporate agency. That extensive account is entirely new. I respond in detail to Matthew Altman's criticisms of my account of corporate agency from the first edition. I then consider some plausible accounts of corporate moral agency by Denis Arnold, Kendy Hess, and Amy MacArthur, all of which seem reasonable and show that the attempt to provide a theory of corporate or collective agency is still alive and well. However, if one is skeptical of all accounts of corporate moral agency, there is also the possibility of a transcendental argument for corporate agency. Or if the transcendental argument fails, one can finally claim that treating corporations as having moral agency may be a practical necessity.

There is also a discussion of a Kantian theory of leadership based on a paper I published in the *Leadership Development Journal*. The discussion in Chapter 3 provides an overview of my theory of Kantian leadership. A description of the ABB Relays case is taken directly from that article.

Chapter 4 "Acting from Duty: How Pure a Motive" has been updated to account for the evolution of my thinking on this topic. In recent and forthcoming publications I have presented an expanded

and more detailed analysis of why acting ethically because it is good business to do so does not violate Kant's insistence that a truly moral action must be done out of duty. Central to my analysis is the claim fundamental to traditional business ideology that managers have a duty to enhance shareholder wealth. If we accept that duty, we must also accept, at least *prima facie*, as duties any actions that are necessary to the achievement of shareholder wealth. Chapter 4 also contains a Kantian account of corporate social responsibility (CSR). CSR did not receive any discussion in the first edition. My account draws heavily on the work of Jeffery Smith and compares and contrasts my own account with a number of other Kantian ethics scholars working on a Kantian vision of CSR.

The final chapter, Chapter 5, on Kant's "Cosmopolitan Perspective," is extensively revised. Recall that it was written before 9/11 when Francis Fukuyama's *The End of History and the Last Man* was much in vogue. Events in the early twenty-first century present a major challenge to Kant's cosmopolitanism, and I have tried to address that challenge in this edition. In addition, there have been major developments in scholarship on international business ethics. The publication of the 2011 Ruggie Report for the United Nations has stimulated much discussion on human rights and the obligations of multinationals to protect and sustain human rights. A Kantian perspective on these issues is a focus of the chapter. In addition, Denis Arnold and I had published a paper giving a Kantian argument for the reform of sweatshops. That article has received considerable critical comment. An overview of the debate and my reflections on that debate are also included in Chapter 5.

Once the first edition was published, I became increasingly interested in transaction cost economics. Although sometimes described as "opportunism with guile," it seemed to me that transaction cost economics provided useful theoretical support for a number of contentions in business ethics. In the first edition I appealed to rather simple economic arguments to show that there were universal values in business and that an examination of transnational codes would confirm the existence of such values. After publication of the first edition, I used a rather crude understanding of transaction cost economics to argue that it was in the interest of multinational corporations to subscribe to certain universal values in the practice of international business. After consulting with my colleague Paul Vaaler, we developed a more

sophisticated version of the argument that was later published. It also seemed to me that the theoretical argument provided an opportunity for testable empirical propositions regarding the realization of these universal values. My transaction cost economics arguments in the current edition have now replaced my more simplified arguments of the previous edition.

This edition has been extensively revised, and there is a wealth of new material. In making the revisions, I have removed dated material, so the end result is a book not dissimilar in length to the first edition. After working in the wilderness – or so it seemed – on the first edition, it has been a pleasure to reference at least in passing and often in detail the excellent work now being done to show how Kantian moral philosophy can enrich the field of business ethics.

Notes

- 1 I. Kant, *Lectures on Ethics*, 1785, L. Infield, Trans. (Indianapolis: Hackett Publishing Co. 1963), 2–3.
- 2 B. Herman, *The Practice of Moral Judgment* (Cambridge, MA: Harvard University Press, 1993), 232.