The Internal Morality of the Corporation*

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ABSTRACT. Is good morality the natural outcome of profitable business practices? The thesis explored here is one version of the recent literature on corporate culture, typified by the bestselling In Search of Excellence – that the corporation that creates a strong culture, one that best serves the customer, the product, and the employee, must also be profitable. The thesis turns out to have an historical parallel in Plato's Republic (sub-titled, I suppose, "In Search of Justice"). Parallel "virtues" can be worked out for state and corporation. In the end, profitability turns out not to be a necessary consequence of excellence, just as Plato's "Ideal" state turned out to be mortal.

The issue of the morality of the business corporation is usually posed as a simple, sceptical, question: can a corporation, primarily organized to make a profit for its owners, possibly be "moral"? After a host of metaphysical issues are settled (in favor of the intelligibility of the question, let us presume), two answers are possible: no, it is not possible for a corporation to be moral, and yes, it is. At least, is one reading of the "corporate culture" literature, especially Peters and Waterman's In Search of Excellence and Deal and Kennedy's Corporate Culture. The suggestion is not new in the field of professional ethics generally. Some years ago, the late Lon L. Fuller of Harvard Law School maintained that the law contained a morality internal to it, such that if the Common Law were left to work itself pure, from case to case, it must, if slowly, become more moral. Legality requires morality, according to Fuller, and the internal morality of law is the only moral control the law needs. The prophets of corporate culture can be seen, perhaps, as arguing that profitability similarly requires morality, and therefore can be left to "work itself pure" from quarter to quarter, secure in the knowledge that a moral result is required by the very process by which profit is sought. Again, in the field of medical ethics, it is often argued effectively that "Good medicine is good ethics", as well as good law; possibly the gist of the new move in understanding the "best" corporations is that "good management is good ethics." 6 It is my purpose in this paper to see if this can be so.

A word of clarification at the outset is appropriate. The claim under investigation in this paper - that the demand that the business show a profit necessitates the development of an institutional framework, or corporate culture, which must be a moral structure if it is to work as it is intended to - is different from two other claims that "good business is good ethics." The first is the familiar theme associated with Milton Friedman, that corporate moral duties are limited to providing goods or services that the society is willing to pay for, and meeting a pay-
I. Social contracts and invisible hands

Plato begins to create his city, his just society, “from the beginning,” as he tells us, “And it is our needs, it seems, that will create it.” He proceeds through the basic needs of food, clothing, shelter, and so forth, and develops the principle of division of labor to provide most efficiently for them. Each citizen is to provide for one and only one of these needs, the assignment of task to proceed naturally from natural aptitude and preference. “Both production and quality are improved in each case, and easier, if each man does one thing which is congenial to him, does it at the right time, and is free of other pursuits.” When he has finished assembling his polity, Plato’s city has farmers, herdsmen, every conceivable craftsman, merchants engaged in foreign as well as domestic trade, shopkeepers and wage laborers. They will live a peaceful and ordered life, each producing what he is most fitted for, exchanging goods through a well-developed market system, with plenty of time left over for leisure. “Crowned with wreaths they will hymn the gods and enjoy each other, bearing no more children than their means allow, cautious to avoid poverty and war...they will live at peace and in good health, and when they die at a ripe age they will...