THE "GOOD COMPANY," RHETORIC OR REALITY? CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS ETHICS REDUX

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> In the hour when an individual is brought before the
> heavenly court for judgment, the person asked:
> Did you conduct your business affairs honestly?
> (Babylonian Talmud, *Shabbat* 31a)

> Falsifying and cheating with the weights is forbidden.
> While I am weighing the goods, God is measuring me.
> Latin Inscription
> Sponza Palace, Dubrovnik, Croatia

Introduction

For millennia, religious teachings and secular ethics have sought to nurture socially beneficial economic behavior. The canonical literatures of virtually every religious tradition as well as Western and Eastern philosophy are replete with precepts and admonitions regarding what constitutes ethical behavior in the economic realm.

To be sure, these teachings until relatively recently, have focused on the behavior of individuals *vis a vis* one another. Concerns about organizational entities, which aggregate human energy and diverse resources to undertake economic activity – the production and distribution of goods and services – is at best a century and a half old. To sharpen the point more finely, it is the emergence of large- scale business organizations in the last third of the nineteenth century both within Europe and the United States that gave rise to concerns about "corporate social responsibility." Early on, it became apparent that these "companies," "trust," "enterprises", in addition to being highly effective structures for developing complex industrial economies, were very significant social, political, and cultural institutions – individually and collectively – possessing considerable power and profoundly affecting all aspects of society from the local to the global. How to harness the energies of these powerful corporate engines for socially efficacious purposes yet constrain and render them accountable for their at times deleterious impacts on other sectors of society and assure they would be "Good Companies" has been an objective of public policy and an enduring private concern on the part of intellectuals, religious authorities, and ordinary citizens since the emergence of the "mega-corporation" in the nineteenth century,

The Contemporary Setting

This objective/concern has become all the more important after World War II, and especially in the past two decades following the end of the Cold War. During the latter period, we have witnessed the economic emergence of Big (China, India, South Korea) and Little (all the rest) Tigers in Asia, the expansion and fitful development of the European Union, combustibility in the Middle East, political and economic transformations in Latin/South America, and the ongoing economic and social agony of sub-Saharan Africa. "Globalization, the "Energy Crisis" and "Technological Revolution," and "Social Transformation" have become the buzz-word descriptors and the reality of the era. Let us briefly consider each of the phenomena and relationship to companies, good and otherwise:

1) *Globalization* – Transnational business activity is hardly a new phenomenon as to anyone who recalls the Silk Road and its two millennia of East-West commerce on its routes or the European trading companies which aggressively spanned the globe with their economic and political colonization endeavors from the fourteenth to the twentieth centuries as did their latter-day American counterparts in the nineteenth and twentieth centuries. What is new is the advent of a truly world-wide trading regime made possible by modern communications and transportation technologies which have created a "woven world of distant encounters and instant connections" (Yergin and Stanislaw, p.369) from which no place, however, geographically remote, is removed. Its critics notwithstanding, globalization is here to stay and transnational enterprises whether private or public, are and will remain the catalysts and prime instrumentalities of this process.

2) *The Energy Crisis* – the dependence on fossil fuels by industrialized countries has dramatically altered the geo-political equation since the early 1970s when OPEC emerged as a formidable force. Countries (some barely two generations old and the products of post World War II decolonization) long dominated by Western powers have asserted their independence and exercised control over their energy resources - - in some cases by nationalization and in other instances by requiring the re-negotiation of exploration, production, refining and transportation leases with the petroleum majors working within their borders. The role of these companies – economic and political —and their relationships to the regimes controlling these newly-emergent nations have become increasingly complex, inevitably raising questions concerning whose interests they were serving and whether, indeed, inherent conflicts of interest exist. Unprecedented levels of company profits at a time when consumers, at least in the United States, are experiencing equally unprecedented price levels have exacerbated these issues.

3) *Technological Revolutions* High-tech, biotech and simply technological developments in traditional economic sectors have radically altered our global political economy. Nuclear power,

computer chips and genetically engineered agricultural and pharmaceutical products are manifestations of the technological revolutions which have affected virtually every human being for good and for ill. Corporations—frequently in relationship with governmental entities—are the catalysts and propellants of this revolution which has dramatically improved the quality of life for many persons while diminishing that quality for other global residents.

4) *Social Transformations* The three above-mentioned phenomena contribute to and are part of the Social Transformation which has characterized the past half-century. The shedding of colonial domination, the creation of the United Nation as a forum for less-developed countries to influence international developments and consciousness and the impact of communications technologies ranging from computers to short-wave radios have contributed to an awareness of deprivations and "entitlements" on the part of persons throughout the world. The maldistribution of the benefits of our global political-economy roils politics at international, inter-state and intra-state levels, devolving down to local communities. Transnational companies are key players in this changing social dynamic as utilizers and "transfer agents" of the physical, human, financial, and intellectual resources of our global society. As such, through their policies, processes and practices, they play an important role in facilitating global peace or exacerbating global conflict.

Modes of Social Control

Given these developments which frame the contemporary global political economy, how can civil society promote corporate behavior which is beneficial rather than harmful? Is the goal of the "Good Company" utopian or at some level achievable? And what is the "art of the possible" in this endeavor? There exist a variety of modes, better still, processes for framing social behavior at both individual and organizational levels. In descending order of formality, they are: law/legal systems; affinity group regulation; self-regulation; mores, traditions customs, at times embodied in ethical norms; media monitoring; and civil society activism. Let us look at each of these modes of social control.

1) *Law*, for these purposes (I am not going to deal with jurisprudential theories such as natural law but am emphasizing a positivistic approach) derives from state action (legislation, judicial decisions, regulatory rulings and promulgations by other public bodies) and articulates public policy enforced by governmental authority. Law prescribes and proscribes human (individual and collective) action to allow societies to function with some degree of predictability and, hopefully, fairness and justice. Law, however, is an imperfect mechanism for defining "Good Company" behavior since it is an artifact of political processes characterized by asymmetric power and the necessity to arrive at compromise approaches. The legal process, moreover, cannot anticipate the virtually limitless array of issues and concerns occasioned by corporate actions and articulates past approaches to yesterday's problems In short, law often articulates the "lowest common denominator" of socially acceptable behavior.

2) *Affinity group regulation* in the modern context, enables affinity groups of whatever nature – business entities professional bodies, religious authorities, social organizations—to establish standards of behavior for their members without the intervention of public authority. In

the business realm, affinity regulation is of long-standing as in the case of the medieval European craft guilds whose members were subject to rigid regulations concerning all aspects of the trade. At its inception, the Hanseatic League and its member Hanseatics “were well appreciated as honorable merchants who ensured quality and fought against unscrupulous practices” through vigorous affinity regulation by the membership. (Kurlansky, p.141). Today, the so-called “ancient-professions” such as law and medicine are governed by affinity regulation. Membership in the professional bodies is mandatory and they control licensing and discipline. Accountants and other health care professionals are similarly governed. Today realtors, architects and, security dealers (National Association of Security Dealers) possess professional codes governing their membership. Affinity regulation, if seriously administered by appropriate governing bodies, can have a salutary effect on member firms.

3) *Self regulation* involves the voluntary acceptance of standards established by non-governmental entities such as the International Chamber of Commerce and the Organization for Economic Cooperation and Development (OECD) or pertaining to particular issues such as child labor, South African apartheid (Sullivan Principles), third world apparel manufacturing, fair trade coffee, “green” environmental policies and the like. Such standards can serve the useful function of establishing “base-lines” which enable firms in an industry to engage in socially more efficacious practices without experiencing competitive disadvantage. Companies can also “sign on” to such voluntary codes of conduct such as the Caux Roundtable’s Statement of Principles, the United Nations’ Global Compact, or the European Commissions’ Green Paper, all of which articulate general precepts of corporate “best practices” but lack any enforcement mechanisms. A primary value of such general codes of desirable business behavior is that they are educative for companies, industries and, indeed, nations particularly in developing countries (e.g. Lebanon and Croatia) which, in their struggles for national survival typically have paid little attention to issues of socially responsible business behavior. Self-regulation makes a difference only to the extent that companies adhere to the philosophical precepts and operative standards enunciated in these codes. Many companies, particularly in the United States and Europe, have developed Codes of Conduct or Ethics Statements as forms of self-regulation or have issued “Social Audits” reporting on their environmental, employment, and other practices.

4) *Ethical precepts* derived from religious traditions, humanistic philosophy, customs, mores and traditions provide principles of “right action” with regard to human interactions both individually and in organizational settings. If law, as I suggested above, often defines the base-line or lowest common denominator of acceptable corporate behavior, ethics functions on a higher plane articulating standards of conduct which “go beyond” the legally required. Law and ethics are not, of course, mutually exclusive and legal requirements frequently are derived from and incorporate ethical precepts. Indeed, what were ethical aspirations for business behavior in one generation frequently become legal requirements in the next. Customs, traditions and mores can result, or course, in behaviors which are patently unethical such as “honor killings” of young women who are deemed to have violated traditional norms which, however, are contrary to civil law. We shall return to the role of ethics when we examine more closely the concept of corporate social responsibility.

5) *Vigilant and responsible media.* In an open, democratic society, the media plays a critical role in informing the public about and rendering accountable all institutions which possess

power. Indeed, it is the media, which often are the first source of information about governmental and business malfeasance or questionable behavior. One need only think of the all-encompassing Enron scandal or disclosures relating to dubious marketing practices on the part of major pharmaceutical companies to appreciate media's role in ferreting out illegal or unethical corporate behaviors. Business firms naturally do not welcome negative publicity which affect company reputations, incur governmental Interventions, generate legal liability, and may result in loss of business. Conversely, favorable media coverage can be politically useful, enhance business activity and stimulate socially responsible business behavior.

6) Finally, *civil society* – an informed and engaged citizenry – is another important catalyst to encourage "Good Companies." This can results from direct citizens action in the case of consumer product companies -- Nike and Starbucks are cases in point -- or industries (e.g. agri-business firms) by putting pressure on governmental officials to take action. One can point to Sarbanes-Oxley as an example of recent governmental regulation, which resulted, as least in part, from citizen concerns regarding corporate governance and transparency. Wal-Mart's efforts to move into several San Francisco Bay Area communities have been thwarted by citizen opposition within affected the communities typically acting through local government. To be sure, citizen action is not always effective. It does, however, have an important role to play in impacting the actions of corporations and those who manage them. All six factors discussed above, individually and in combination are critical to achieving socially responsible corporate behavior.

"The Good Company," Business Ethics and CSR

Let us turn specifically to the quest for the "Good Company." My basic thesis is that ethical teachings and "corporate social responsibility" although necessary, even essential, factors in achieving "good companies", are inherently insufficient. In descending order of importance, law, affinity regulation, self-regulation, the media and active civil society all play critical roles in achieving socially beneficial corporate behavior. In western societies, this has always been the case and, if anything, is even more so today given the relentlessly increasing complexity of our twenty-first century global political-economy. My thesis is not based on a concept of human beings as inherently malevolent or evil but rather recognition of structural aspects of the contemporary business environment as well as the pressures on individual corporate managers. Among these aspects and pressures are: global competitive setting within which transnational corporations function; the emergence of a world- wide labor market made possible by technologies which have facilitated the fungibility of job venues; the appearance of truly global capital markets (consider the proposed merger for the NYSE and Euronext) which subject managers, irrespective of national boundaries, to short-terms accountability for "return on investment" and to unremitting expectations by financial intermediaries for ever-increasing profits; oftentimes, conflicting cultural norms which contribute to conflicting concepts regarding what constitutes "correct" corporate behavior; and, finally, an ideology of "profit maximization" which subordinates all other considerations to the Holy Grail of maximizing shareholder value. Putting aside managerial avarice as reflected in over reaching salaries and benefits at the top rungs of the corporate ladder, temptations exist in business organizations (and I include in this term, state owned or public enterprises where behaviors are often worse than in private enterprises) for managers to "cut corners" with regard to the environment, employees, producers, communities, third-world nations, and other stakeholders impacted by their policies and operations.

Before we briefly examine each of these factors, a final observation is necessary. Companies are multifaceted entities. As is the case with human beings, no company is 100% "good" and very few are 100% "bad". In its ranking of the "100 Best Corporate Citizens 2006," *Business Ethics* utilizes eight measures for evaluating companies (community, corporate governance, diversity, employee relations, environment, human rights, product and total return). (Raths pp. 20-28). Yet other criteria would be appropriate e.g. marketing practices and company philanthropy. Firms may be exemplary in their environmental practices and abominable in their employee policies. Similarly, companies may produce top quality, state of the art, goods and services but be shady in how they market them Moreover, practices may differ within the same organization based upon location, competitive position of a particular unit and the "character" (in both senses of the term) of corporate leadership. "Bad apples" exist in every company although, typically, unsavory corporate behavior results from organizational rather than individual failings. In short, business organizations are not monolithic in nature but have the capacity to manifest "the good, the bad and the ugly."

Let us look now at each of the above-mentioned elements:

1) *Transnationalism/competition.* Transnational corporations function in a highly diverse globalized competitive world. The traditional productive factors of land labor and capital, together with their modern addition, intellectual property, flow freely across borders or in the case of land (which also includes the air and sea) the natural products thereof (i.e. minerals, timber, agricultural items, fish, wildlife and fossil fuels). We function in a world of global markets for all four factors. Business firms seek to acquire or utilize these productive resources as cheaply as possible irrespective of the impact of their operations on individuals or communities. Jobs are out-sourced to low labor cost centers notwithstanding the effect on home communities long dependent on these companies for employment. Natural resources are bought or leased and removed from less-developed countries for use in wealthier nations with little consideration given to environmental, social and economic impacts, including distributive effects, on the poorer region. Many companies adhere, at best, to the minimalist (if any) regulatory standards extant in many parts of Africa, Asia and Latin America rather than the "best practices" which they employ in more demanding home environments.

To be sure, where transnational companies invest in host regions, employ "best practices," respect human rights, develop an educated labor force, safeguard the environment, protect employees' health and are not complicitous with corrupt authoritarian regimes, they are forces for good in the development of these areas. Where, however, they pursue policies which are exploitive of less developed nations, they contribute to the growing economic divide between northern and southern hemisphere nations with deleterious effects on regional and global peace. In theory, free trade is intended to benefit all participate in the global trading order. To date, of course, benefits have been asymmetrical benefiting wealthier nations and contributing to interstate and intra-state conflicts.

2) The emergence of truly *global financial markets* and the Anglo-Americanization of these markets have contributed greatly to the short-term perspective which drives much of corporate activity today. Although in theory, managers are supposed to focus on an organization's long term mission and goals, de facto both from within the organization and externally, they are subjected to unremitting pressures from large financial intermediaries such as mutual funds to concentrate on shorter term (monthly, quarterly, annual) financial objectives, lest their performance fall short of market expectations and thereby decrease the capital value of the firms and their own standing and financial position within the organization. While short-term expectations and pressures were at one time primarily concentrated in the United States and later the United Kingdom, they have now spread to many parts of Europe and Japan. Companies whose financial performance diminishes the value of their stock face, moreover, the risk of unfriendly acquisition. All told, these pressures often result in managers to becoming unifocal in their to attempt to maximize organizational profits by any means possible to the detriment of other considerations.

3) *Defining the "Good Company* Another factor complicating life9 for transnational corporations functioning in highly diverse global settings is that at times it is quite difficult to determine precisely what it means to be a "good" company. Although global codes of conduct such as the Universal Declaration on Human Rights, the O.E.C.D. Guidelines for Multi-National Enterprises, the UN Global Compact, and the European Commission "Green Paper" on Social Responsibility, articulate desirable norms for corporate behavior, their provisions are often quite general and have no enforcement mechanisms. They are aspirational precepts rather than operational standards. As a practical matter, it often comes down to companies striving to achieve some balance between the legal requirements and informal expectations which prevail in their home countries and the legal requirements and norms which exist in the overseas setting. Managers perforce have to maneuver cautiously between conflicting definitions of human rights found in Saudi Arabia or Nigeria as opposed to the U.S. or the U.K. Definitions of nepotism and corruption are subject to regional variation. The line between adhering to universally accepted hyper-norms and engaging in "cultural-imperialism" by imposing non-traditional standards in widely divergent societies is often times quite thin. Accordingly, trade-offs exist for firms seeking to be "good" and "do good."

4) Finally, there is the matter of *ideology*. Market capitalism has been nurtured on the concept that the common good is maximized when individuals and, by implication, organizations pursue their parochial self-interest. This perspective is attributed to Adam Smith (Smith, *The Wealth of Nations*) but in fact is only part of Smith's overall message that individual well-being can only occur where there exists underlying "sympathy" or recognition of a common good (Smith, *The Theory of Moral Sentiments*). Otherwise, we would live in an anarchial Hobbisian society – "nasty, brutish and short"– to the detriment of all. This broader Smithian perspective views self-interest as appropriate but an approach which must be "enlightened" by this broader perspective. Unfortunately, this more capacious part of Smith's message has been lost upon many business theorists and practitioners. The purported interests of the shareholder is deemed to trump all other considerations, a least in theory, although there is ample evidence that this objective is not adhered to in managerial practice.

The notion that business organizations have obligations to other stakeholders and, more generally, constitute a "public trust" has received little attention until quite recently. This fact is paradoxal given the fact that the earliest corporations were established to fulfill public service objectives: to build turnpikes, railroads and canals; to provide reliable sources of credit through state- chartered banks and to stimulate the growth of essential industries. How ironic it is that we are only now returning to recognition of these societal objectives of corporate enterprise.

Achieving "Good Companies"

So where all these constraining factors leave us in our efforts to achieve the "Good Company"? I have suggested above that in the corporate context these are six modes of social control of business behavior: law, affinity regulation, self-regulation, ethics/ CSR the media and concerned civil society. I have also argued that none of these mechanisms is sufficient unto itself and that they are mutually reinforcing. To illustrate, media attention on deleterious products (e.g. flammable children's wear) can catalyze citizen concern about corporate "irresponsibility" that arouses governmental regulatory action via legal processes (legislation, litigation, rule making) or alternatively, affinity (children's wear industry) regulation or self (one or more firms) regulation by adopting a company code which prohibits such fabrics undertaken to pre-empt legal action.

What is the role of our concepts of ethics and corporate social responsibility in stimulating socially beneficial corporate behavior? Are they irrelevant concepts? Of course not! They have contributed to ever-escalating standards for corporate performance. Business practices common-place in the mid twentieth century -- practices relating, for example, to the environment, industrial health and safety, employment policies – are unthinkable in many, albeit not all, post-industrial societies. Concepts of global ethical standards – "hyper" or transcendent norms (Donaldson and Dunfee, *Ties that Bind)* -- relating to human rights, sustainable environmental policies, and employment practices relating to women and children appear to be having an impact in some less developed countries. It has been suggested that the U.N. Global Compact -- although voluntarily, quite general in character and lacking enforcement mechanisms -- and the European Commission's Green Paper relating to Corporate Responsibility have heightened awareness of and stimulated serious discussion about socially responsible business behavior in countries where this concept was dormant at best or even unknown.

Years ago, I argued it is useful to think about CSR in terms of both product and process (Epstein, Hastings L.J.). The product approach considers social responsibility in terms of outcomes - whether management has done the "right thing" or has achieve a recognizably "good result" by making the "right" decision about, for example, installing air quality safeguards beyond what is required by law. I also suggested corporate social responsibility could also be usefully thought of as a process: a system of decision making whereby corporate managers seek to anticipate and consider the *total* consequences of their companies policies and operations before they act. This product/process view of CSR, of course, goes significantly beyond the notion of social responsibility being simply synonymous with "good works" – e.g. financial or in-kind contributions to the community symphony or Red Cross. Subsequently, I expanded the product/process approach to what I termed “The Corporate Social Policy Process,” (Epstein *CMR*) which is delineated bellow.

The Corporate Social Policy Process

Figure 1. Contributions of Business Ethics, Corporate Social Responsibility, and Corporate Social Responsiveness to the Corporate Social Policy Process

<table>
<tr>
<td rowspan="5">Corporate Social Policy Process
Institutionalization within the corporation of processes facilitating value-based individual and organizational reflection and choice regarding the moral significance of personal and corporate action. Individual and collective examination of the likely overall consequences of such actions, thereby enabling the firm’s leaders both individually and collectively within the organizational setting to anticipate, respond to and manage dynamically evolving claims and expectations of internal and external stakeholders concerning the products (specific issues or problem-related consequences) of organizational policies and behavior.</td>
<td rowspan="5">=</td>
<td>Business Ethics
Value-based reflection and choice concerning the moral significance of individual and organizational action by business decision makers. This reflection and choice emanates from and pertains to critical issues and problems confronting the organization and its leaders.</td>
</tr>
<tr><td>+</td></tr>
<tr><td>Corporate Social Responsibility
Discernment of specific issues, problems, expectations and claims upon business organizations and their leaders regarding the consequences of organizational policies and behavior on both internal and external stakeholders. The focus is upon the products or corporate actions.</td></tr>
<tr><td>+</td></tr>
<tr><td>Corporate Social Responsiveness
Development of individual and organizational processes for determining, implementing and evaluating the firm’s capacity to anticipate, respond and manage the issues and problems arising from the diverse claims and expectations of internal and external stakeholders.</td></tr>
</table>

(Epstein, *CMR*, p.107)

I maintain the belief that the CPPP concept which integrates essential elements of traditional notions of business ethics, corporate social responsibility and corporate social responsiveness is useful in assisting managers who desire to have their organization be good “corporate citizens” (to use a currently popular term) to think through the implications of company decisions in a more thoughtful/analytical manner.

The argument which underlies this paper is that while we must maintain, indeed, invigorate efforts to articulate and implement ethical precepts and concepts of CSR derived from multiple sources to influence and enable managers and their organizations to act in a socially beneficial manner, we must recognize that there are limitations in terms of what we can accomplish by reliance on ethics and CSR.

I subscribe fully to the analysis of my Berkeley colleague, David Vogel, in his recent book *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Vogel) wherein he points out that notwithstanding the best of intentions, there are constraints on the ability of companies and their managers to achieve sociably responsible behaviors. Consistent with the argument which I have made above, he assents:

> The important complementary relationship between civil and government regulation suggests that the definition of a responsible corporation needs to be expanded. Corporate responsibility should be about more than going “beyond compliance;” it must also include efforts to raise compliance standards. In fact, the most critical dimension of corporate responsibility may well be a company’s impact on public policy. (Vogel, 129)

Raising the bar of what constitutes appropriate corporate behavior through governmental regulation enables firms wish to adhere to higher standards of business behavior to compete on a more level placing field. Additionally, truly effective affinity regulation can play a complementary reinforcing role.

To summarize, we must, accordingly, rely on legal processes, both nationally and trans-nationally via regional and global institutions, to establish the “rules of game “for desired corporate behaviors. In addition, we must encourage business organizations to engage in meaningful, as opposed to cosmetic, affiliate and self-regulation of their activities on an industry or regional basis and thereby obviate the necessity for additional public policy initiatives. Moreover, ethical norms and aspects of CSR embodied within the concept of the corporate social policy process will assist managers in assessing the broader societal implications of their decisions. And finally, vigilant media monitoring and vigorous citizen oversight of corporate action are essential to assure that business firms are both rendered accountable for the consequences of their actions and exposed to public expectations of “best practices” of business performance.

Perhaps a more realistic goal as we think about the desire to stimulate the spread of “Good Companies” which connotes the achievement of a certain type of corporate perfection is to strive for “Better Companies,” organizations which continuously seek to perform the economic functions for which society relies upon them in a manner which optimizes the firm’s utility to the diverse stakeholders affected by their actions and minimizes the deleterious effects (what economist term “externalities”) of their operations.

Transnational Corporations and Peace

Given our global political economy and the role that business corporations play as the primary instrumentalities for economic activity, it is pertinent to inquire about their impact on intra and interstate conflict and peace. I shall not seek to expand on the excellent analysis of Timothy L. Fort and Cindy A. Schipani in *The Role of Business in Fostering Peaceful Societies* but simply to make a few observations.

Arguably, conflict among individuals, organizations and nations derives from and relates to four factors:

- *Power*-control over governments, civil society, individuals and societal resources;
- *Property*-tangibl*e* (minerals, agricultural produces, water, oil, forest products) and intangible (ideas/intellectual property);
- *Philosophy*, ideas about how the world should be organized, societies structured and individuals behave including ideologies and theologies;
- *Prestige* -- the struggle for status, pride and social primacy.

Obviously, these are not discrete factors but mutually reinforcing phenomena

How does this observation pertain to business corporations, particularly in their relationship to developing societies? At its best, as suggested above, business activity in sub-Saharan Africa, parts of Asia and Latin America, can facilitate economic development through capital investment, enhancement of the skills of the labor force, creation of jobs, improvement of human rights and the overall quality of life more equitable distribution of wealth, and serving as a catalyst for encourage the development of more democratic governments. All too often in the past, however, the actions of business firms have eroded civil society and stimulated conflict by exploiting natural resources, despoiling the environment, playing off sectors of the society against each other, compromising human rights and reinforcing authoritarian regimes little concerned about their citizens. At times, transnational corporations even have acted as de-facto government in countries with weak political institutions. We need only consider the role of United Fruit Company in various parts of Latin America, of energy and other extractive companies in the Middle East, Africa and Latin America, and agri-business enterprises with their ability to strongly influence the nature and marketability of products coming from developing countries.

If one thinks in global terms, the critical role of business firms over the next decade is to enhance the beneficial expansion of global economic development and trade in less developed parts of the world. By so doing, it can assist in lessening intra-state and inter-states conflict which have torn apart countries and regions and resulted in the death of millions. This is not, of course a responsibility of business alone. It must be undertaken in conjunction with international organizations, NGOs and governments within both developed and developing nations. It is not too much to suggest that this dimension of corporate social responsibility is unavoidable if there is to be hope in the years ahead for a global community which is not fraught with unremitting conflict and violence to the detriment of all.

In *Salt: A World History*, Mark Kurlansky discusses the debate in ancient China over who should retain the benefits of the state monopolies on iron and salt. On the one side were Confucians, inspired by Mencius who eschewed a proposal to the Emperor to increase state profits, argued:

> Why must Your Majesty use the word *profit*? All I am
> Concerned with are the good and the right. (Kurlansky, p.33)

Opposing them were the legalists who believed that it was not practical to base government on morality but, rather, government shall be based on the exercise of power and a legal code which provided for harsh punishment for transgressions. The debate was never fully resolved since Chinese Emperors periodically imposed and abolished their state monopoly power over salt. My argument in sum, is that both ingredients are required to achieve "good companies:" concern with "the good" and effective governmental exercise of power via the legal system. The two, in combination with the other four modes of social control, are as essential in the global context as on domestic scene as we strive to achieve a more just and peaceful world order.

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