Commitments and Corporate Responsibility: Amartya Sen on Motivations to Do Good

Ann E. Cudd

Amartya Sen has made wide-ranging and seminal contributions to both ethics and economics, and may be regarded as one of the most important and influential economist-philosophers since John Stuart Mill. In economics, he has made crucial interventions in the fields of social choice theory, welfare economics, feminist economics, and development economics, and as a philosopher he is widely recognized for his original contributions to consequentialist ethics, political philosophy, identity theory, and the theory of justice. Included in his prolific oeuvre are just two papers published in business ethics journals,[1] but several aspects of his work can nonetheless be applied to issues of concern to theorists and practitioners of the field. There are also a variety of topics in business ethics to which Sen's work could be usefully applied, such as (to name just a small number of topics) the constitution of agency within firms, the value of market freedoms, the convergence and divergence of interests within firms, the need for trust in market economies, and the role of markets in avoiding famines.

Sen is also a good theorist to apply to business ethics because he is pro-market, liberal, cosmopolitan, and pragmatic (in the sense of favoring a non-ideal approach to justice). He is an economist who takes seriously the notion that people are motivated by their identity and their ideals, as well as by their needs and desires for material wealth, and he is a philosopher who does not villainize the market or private property rights.[2] He understands deeply and appreciates the contributions and limitations of both economics and ethics, and he is critical of the standard economic model of human motivation in a way that brings those two fields closer than most theorists of either one would typically imagine. Most significant for business ethics, I believe, is what he has written about how the impoverishment of the model of behavior as self-interest maximization confuses the discussion of the role of ethics in business.[3]

In this essay I will apply Sen's theories to this basic question of business ethics: Do businesses have social or moral responsibilities that compete with and may override the goal of wealth creation for the owners or shareholders? I mean this question to be a normative one, which is to ask whether businesses *ought* to attend to such responsibilities, not in the descriptive sense of whether there is some social, ethical, or legal code that assigns them such responsibilities and with which it is in their interest to comply. In some sense this is the most basic question of business ethics, since it determines whether businesses—their owners or managers—themselves must deliberate about ethics or whether they are obligated only to comply with the prevailing codes and norms.[4] This debate in the business ethics literature offers at least four competing models of appropriate corporate behavior, which I will discuss below. But there is a more basic distinction between two types: the instrumental theory on the one hand and socially or morally oriented models of corporate behavior on the other.

The fundamental issue in this debate is whether there are social or moral obligations of for-profit businesses[5] over and above the obligation to maximize profits for shareholders within the externally imposed legal and customary social rules.[6] The shareholder model says no, there are not; the others say yes, there are moral obligations for corporations. Sen's work on agency and motivation illuminates this debate by offering a critique of the instrumental theory on both descriptive and normative grounds. I shall argue that Sen's work shows the instrumental view of corporations—that the sole responsibility of corporations is to maximize profits within the "legal framework and ethical custom of society"[7]—implies a vision of corporations and their role in society that is impoverished descriptively and morally. Descriptively, economic analysis suggests (though does not logically imply) that wealth creation is the only purpose of the (for-profit) corporation, but Sen's work shows that inference must be false. Wealth creation, he notes, is not the only goal of human agents or their instruments. Other appropriate goals and purposes include coordination of activity and creation of identity. Normatively, the instrumental model common among economists and businesspersons suggests that the ethical customs of a society ought to be upheld regardless of how they affect other goals or of whether the social, ethical, or legal "customs" are themselves morally acceptable. For example, if the social custom is to segregate men and women in the workplace, the instrumental model suggests that businesses should follow that custom. Accepting constraints because they are customary is a mere compliance with the rules perspective. But surely corporations (or their managers) should not themselves behave immorally. Corporations must make ethical decisions that they can stand by, even if only to justify their reasons for working within their society's legal and social framework. Sen's recognition of the entanglement of economics and ethics shows that the Friedmanian formula of "legal framework and ethical custom" is ethically naïve and theoretically flawed.

DO BUSINESSES HAVE MORAL OBLIGATIONS?

Perhaps the most basic question of the field of business ethics is whether businesses can be said to have any moral obligations. Some might argue that there is a more basic ontological question of whether businesses or corporations are moral agents at all. But for the purposes of this essay that is an issue that we can bypass by using "corporation" as a shorthand for the agents of the corporation, whether they are the corporate officers, acting together or individually in their fiduciary responsibility to command the resources of the company, or the business or corporation considered as an agent itself.[8] The shareholder model holds that corporations, or corporate officers who determine what the corporation does, should act on behalf of the shareholders. In addition, the shareholder model assumes that the goal of the shareholders in for-profit corporations is to maximize profits. In the case of nonprofit corporations, there is some other explicit goal that the officers have a duty to pursue, which may well be a moral or social goal. Since this debate primarily concerns for-profit businesses, I will ignore nonprofits for the rest of this essay.[9] Since the shareholder model takes the corporation to be instrumental to achieving the ends of the shareholders it is sometimes called the instrumental model.[10] On the instrumental model, then, corporations or their managers qua managers do not have any obligations to consider other than those internal to the stated goals of the corporation; they are simply the instruments of the owners—the shareholders—of the firm, whose motivations are assumed to be simply to maximize their private wealth. This is not to say that the shareholders do not have moral obligations as individuals, and owning a share in a corporation may be either instrumental to or contrary to a particular individual's fulfilling her moral obligations. But the corporation is not to be seen as itself having moral duties other than to pursue profit maximization.[11]

The stakeholder model holds that corporate officers ought to manage the business for the benefit of all stakeholders, which include the employees, suppliers, consumers, and local communities, as well as the stockholders. Stakeholders will have differing and in some ways opposing interests, but there are other interests they will share at least in part, such as, for example, the interest that all have in reducing the carbon footprint of production, all other things equal. Thus, the moral obligation of the firm just is to act in ways that properly balance the interests of the various stakeholders. Sometimes the interests of the other stakeholders will require the interests of the shareholders to be sacrificed. Hence the stakeholder model contradicts the instrumental model.

The social contract theory in business ethics applies contractualism to the relationship between business and society, positing "an implicit contract between the members of society and businesses in which the members of society grant businesses the right to exist in return for certain specified benefits."[12] The original version articulated by Thomas Donaldson appeals to hypothetical consent and imagines a contract between persons and potential businesses.[13] The agreement forms the terms under which persons and corporations could mutually benefit. The theory ultimately "asserts that all businesses are ethically obligated to enhance the welfare of society by satisfying consumer and employee interests without violating any of the general canons of justice."[14] Hence, the social contract theory is also a model on which there exist other-directed corporate social or moral obligations. In requiring mutual benefit rather than maximization of shareholder benefit, the social contract model conflicts with the instrumental model whenever the latter's interests could be furthered at the expense of other stakeholders.[15]

Finally, the corporate moral responsibility (CMR) model "refers to obligations a firm has as a result of its existence, reasons for existence, its scope and nature of operations, and its various interactions or relationships."[16] According to its major proponent, Patricia Werhane, the model derives corporate moral obligations from the background moral obligations that we all have to others in society when our actions affect them. She concludes that corporations have obligations to all those affected by the company's actions. Although Werhane claims, "This formulation connects corporate expertise with a broad sense of responsibility without diminishing its abilities to be profitable,"[17] the CMR model posits moral obligations beyond the interest or welfare of the shareholders, and thus is in conflict with the instrumental model.

The latter three models of corporate obligation derive the particular moral and social obligations of corporations differently, but they all hold that there are such other-directed obligations, which can conflict with the interests of shareholders. In this way they can be fundamentally distinguished from the instrumental model, which holds that there are not. I will call these latter three models "corporate moral obligation models."[18] In the next section I will examine the arguments for the instrumental model as presented by Milton Friedman and John Hasnas. In the two sections that follow the next section I will examine Sen's work, first with regard to business ethics specifically and then with regard to preferences or motivation in order to show that the instrumental model has a naïve and mistaken theory of motivation. Then I will examine work by Sen on how commitments motivate behavior, including commitments to various identities that persons embrace, in order to elaborate his reasons for rejecting the instrumental model.

ARGUMENTS FOR THE INSTRUMENTAL MODEL

Instrumental theories understand the only obligation of (for-profit) business to be to act in the interest of the shareholders, and this is often taken to mean maximizing profits for the shareholders. The classic defense of this latter position is that of Milton Friedman, who says that the responsibility of the corporate executive is "to conduct the business in accordance with [the shareholders'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."[19] On Friedman's view, the executives of a corporation are the instruments of the shareholders, whose goal "generally" in holding stock is to maximize profits, constrained only by law and social custom. I take it that profit maximization is essential to the instrumental model for all for-profit firms; the exceptions noted by "generally" are those firms that have explicitly stated nonprofit goals. As John Hasnas puts it in a defense of the instrumental view, "This fiduciary relationship implies that managers cannot have an obligation to expend business resources in ways that have not been authorized by the stockholders."[20] Only those actions that maximize profits (subject to the constraints of law and custom) are warranted. To pursue any other goal is to use someone else's capital for purposes of which they may not approve. But that is tantamount to "taxation without representation," as Friedman writes at one point, or socialism, at another. Literally, it is a misappropriation of private property, hence not permissible.

The argument just presented is a deontological one resting on the ideas of contract and the individual rights and autonomy of the shareholders. The shareholders have a contractual relationship with the corporation's executives to use the shareholders' capital in ways that will maximize profits, and not in ways that they do not expressly approve. This argument depends on two assumptions that Sen's work questions. First, that the only common goal that shareholders (or business owners) have in their market interactions is the creation of wealth. Second, that the background legal and social rules in such a pure system can be presumed to be morally acceptable, so that acting within their constraints is sufficient for normatively acceptable behavior.

Friedman and Hasnas also allude to a consequentialist argument, related to the invisible hand argument that each attributes to Adam Smith, which is that the aggregate interests of all are best served if each seeks his or her own self-interest in the market. Thus, by seeking the interest of the shareholders, corporations are simply the instruments of the invisible hand of the market, which results in an outcome that is better for some, and just as good for each, than any other outcome, that is, a Pareto efficient outcome. Sen is also critical of this argument, especially as it is put to use in the service of the instrumental theory of corporate responsibility. This argument relies on there being a clear line between the market, where self-interest is sufficient for bringing about the optimal outcome, and the rest of life, where moral considerations beyond self-interest may be relevant at every choice point. Sen's work questions this,[21] and suggests that our social and moral values are intimately connected with our interests, well-being, and identity, and that all things considered our self-interest is not so neatly separable from these.

SEN'S WRITINGS ON BUSINESS ETHICS

Sen's articles on business ethics confront the instrumental model, though not by name. In "Does Business Ethics Make Economic Sense?" Sen argues that ethical behavior is both necessary for a well-functioning economy and intrinsically rewarding for many if not all persons, and therefore is in some sense in their self-interest to perform. The latter argument might be seen as supporting the instrumental model, but that would be a misinterpretation of Sen, because the sense of self-interest that he has in mind is complex and not reducible to the motivation of profit maximization. More important, the argument for the necessity of ethics cannot easily be accommodated in the instrumental model.[22]

First, Sen argues that widespread ethical behavior in society is needed in order to develop the general sense of trust without which exchange and production cannot efficiently proceed.[23] For instance, the baker has to trust the householder to pay for the bread for which she placed an order. In production, the manager needs to trust the worker to exert effort and care in her work because the manager cannot constantly monitor or measure the effort and output of the worker, or at least it will cost considerably if he must. The instrumental model suggests that it is sufficient for each to consider her own interest, constrained only by custom, but where custom does not supply a rule, self-interested behavior may destroy the general sense of trust. In societies where there is no general sense of trust, organized crime typically takes the place of implicit assurances of promise keeping or fair dealing.[24] The fact that the existence of organized crime is preferable to there being no ability to trust in promises shows just how essential such assurances are to social life. While the instrumental model can recognize the value of a general sense of trust in society, its recommendation to individuals to pursue their self-interest constrained by custom does not imply that the individual herself should always act in trustworthy ways. If her self-interest constrained by custom conflicts with ethical behavior, the instrumental model recommends the former as against the latter.

It can be worthwhile to a firm's profit-making performance to encourage ethical and pro-social rather than narrowly self-interested behavior. Within a firm its overall success derives in part from effort that workers and managers contribute and from which all benefit. A public good is a good that is nonexcludable (those who do not pay for it cannot be excluded) and nonrivalrous (one's enjoyment of it does not take away from another's). For each individual, the effort she expends is private. There is some amount of effort that is good enough to keep her job or to achieve the reward for which she aims. If an individual expends more effort than this, then the firm does better. Others in the firm also benefit from the improved performance of the firm. If individuals choose to seek their narrow self-interest and maximize their own reward while minimizing effort within the firm, then they will not contribute as much as they would if there were a way of precisely measuring their inputs. But precisely measuring effort or the contribution that results from it is costly and will take away from the overall performance of the firm. If all or most work only as hard as they must to earn their paycheck, the firm is bound to underperform, and all the individuals in the firm will suffer. "The over-all success of the firm, thus, is really a public good, from which all benefit, to which all contribute, and which is not parceled out in little boxes of person-specific rewards strictly linked with each person's respective contribution. And this is precisely where the motives other than narrow self-seeking become productively important."[25] It is in the interest of firms to encourage in all of their workers and managers such pro-social behavior, where individuals are not concerned only with their narrow self-interest but committed to the goal of the firm's success, and so put forth their best effort even when it is not directly rewarded. Once such behavior becomes ingrained, however, managers will find it difficult to adopt the sort of calculating and amoral attitude toward others that the instrumental model encourages.[26]

Sen argues that it can also be both instrumentally and intrinsically valuable for firms to be concerned about fairness and equity in distribution. The instrumental value is indirect: workers are likely to be loyal and put forth more effort if they feel they have been treated fairly and not simply as inanimate inputs into a system. One might argue that the instrumental model can grant this and treat workers fairly *in order to* maximize profits. Although that is valid, here the most that can be said is that the instrumental model recommends actions consistent with what morality demands, and therefore the claim that firms ought to be moral is not being tested. The intrinsic value is the value attached to contributing to making society better overall, both by acting in ways that help others and by contributing to a general sense that people behave ethically in a society.[27] Seeking this value is not compatible with the instrumental model if the shareholder's wealth can be increased even while society is not benefited overall. Hence the intrinsic value of contributing to making society better overall can contradict the instrumental model's exclusive value of wealth creation.

Not only do shareholders value things other than wealth creation; they also recognize as reasonable decisions made using principles other than self-interest maximization. In "Economics, Business Principles, and Moral Sentiments," Sen observes how businesses constrain the set of actions that they consider as options: "Business principles cannot escape being influenced by conceptions of 'good business behavior,' and thus involve the standard complexities connected with multiple goals."[28] Persons also have multiple constraints, which "include not only the 'feasibility constraints' that reflect the limits of what one can do, but also 'self-imposed constraints' that the person chooses to obey on moral or conventional or even strategic grounds."[29] By "constraint" Sen means grounds for ruling in or out particular actions prior to applying any other decision principle. The particular self-imposed constraints that persons accept depend to some extent on the social and moral norms that are accepted in their cultures, but there is room for local and individual difference here, as Sen often points out. We are socially enmeshed agents, but agents with freedom to choose among (or reject or criticize) diverse interests, commitments, and identities.[30] We are motivated and constrained by far more than profit maximization or even self-interest more broadly construed. "Indeed, the inter-regional and inter-cultural variations in business behavior, which we actually observe, illustrate well the fact that business principles can take much richer and very diverse forms, with differently structured multiple objectives."[31]

In his writings on business ethics, Sen argues for both a broader notion of self-interest as a motivation than that implied by the instrumental model's imperative to maximize profits, and a wider set of business principles than maximization of self-interest. In much of his work in economic and normative ethical theory, Sen elaborates these points through a critique of the model of human agency as narrowly self-interested and aimed at maximization of that self-interest. I turn now to that broader discussion.

SEN ON THE SOURCES OF HUMAN MOTIVATION: SELF-INTEREST, SYMPATHY, AND COMMITMENT

As an economist, Sen is first of all a descriptive scientist of human behavior. Contemporary theories of economic behavior begin by assuming that choice behavior approximates what the normative theory of instrumental rationality, as elaborated in economic theories of consumer and producer behavior, prescribes. Sen has offered critiques and refinements of the theory of rational choice, beginning with some of his earliest work. Through this work he has sought to show that the purely instrumentally rational agent is a reductive caricature of a human agent, a "rational fool." The first problem with the theory is that it presumes that humans are only self-interested, and second that what self-interest comprises, according to the theory, is too restricted. Sen offers a more complex (and realistic) account of self-interest and a description of motivation that goes beyond self-interest even in that more complex account.

Sen's critique of the economic theory of behavior, centering on preference theory and rational choice theory, has two broad targets. The first, his critique of so-called revealed preference theory, aims to refute the behaviorist attempt to derive preference from choice behavior. Revealed preference theory purports to avoid mentalistic constructs, such as agency, intention, and motivation, by deriving preference from observations of individuals' externally verifiable choice behavior. Yet, he shows that some choices by agents will appear to be irrational unless we understand the agent's intentions in so acting. Because of economists' behaviorist aversion to mentalistic constructs, Sen first had to critique revealed preference in order to make a case for examining the internal motivations for behavior and understanding them as more complex than simple self-interest. The second aim was to present a theory of commitment as an alternative source of motivation. The two aims are thus related, and he treats both of them in his influential essay "Rational Fools" (1977).

Neoclassical economics defines rational action as the maximization of satisfaction of preference given budget constraints. Interpretations of preference imply theoretical and ontological commitments. Influenced by the behaviorist commitment to observables, economists, beginning with Paul Samuelson in the mid-twentieth century,[32] developed revealed preference theory, which derives preference (an apparently mentalistic construct) from choice behavior, which is at least in principle observable, thereby avoiding commitment to the underlying reality of mental states. Revealed preference theory is based on the simple, operational idea that if an agent chooses x when y is available (within his budget constraint), then he prefers x to y. Choices revealed in behavior imply a choice function. Thus, preference can be inferred from choices.

Sen has criticized this theory on several levels. Most relevant to the issue at hand, he argued that the choice act itself is meaningful to agents, not only the outcome of the choice. The choice act is important, he argued, because human choosers are situated in a social context of norms that constrain their options beyond just the physical constraints of the material situation at hand and make the choices meaningful to agents. This means that interpreting my choice as a preference for mangoes over apples requires that an observer know not only the material options available to me, but also how I interpret the options socially. If I choose the mango over the apple, it may be because I prefer mangoes over apples in every circumstance, but it may also be that I choose the mango this time in order to leave the next person with a comparable choice (say, when there are two mangoes but only one apple in the bowl). We care not only about what we achieve with our choice—the "culmination outcome"—but also about how our choosing behavior affects our entire situation—the "comprehensive outcome."[33] Since there are indefinitely many ways that the choice situation can matter to agents, revealed preference theory logically cannot infer the preference from the observed choice, and so cannot serve the positivistic purpose of avoiding getting into the heads of agents. Shareholders and firms make choices in dynamically changing and normatively rich situations, where the information available or the norms that are taken to be governing the choices are not observable. Thus, it is not a simple matter to interpret shareholder preferences from their behavior, let alone that of their corporate instruments. So the claim that the whole purpose of the corporation must be to maximize the preferences of the shareholders for maximal profits (within the constraints of social custom), insofar as it is based on observations of choice outcomes of shareholders, can now be questioned.[34]

Sen's second target is the assumption that all rational action is self-interested, which he critiques in two ways, first by analyzing the notion of self-interest and second by offering an additional type of motivation. He begins with an analysis of the meaning of self-interest, by proposing three separable "aspects" to the assumption that agents are self-interested, which aspects may be assumed in combination or separately. The first is what Sen calls "self-centered welfare," which is the assumption that the agent's welfare depends only on her own consumption. The second is what he calls "self-welfare goal," which is the assumption that the agent's goal is to maximize the expected value of her own welfare, and no one else's welfare matters, though her own welfare can be affected by others' consumption. The third is "self-goal choice," which is the assumption that the agent maximizes the satisfaction of her goals irrespective of others' goals, though the agent's goal might include raising another agent's welfare as she conceives it, or indeed, any other sort of goal, including collective goals or conforming to social norms. For example, if a mother has as a goal that her son go to a good college because she thinks that doing so will raise his welfare, and she acts to maximize the satisfaction of this preference, she is satisfying the assumption of self-goal choice. This assumption is often thought to be a necessary condition of autonomous agency, since acting autonomously requires an agent to act on her own goals.[35]

Although all three aspects are assumed in some economic models, including, as I shall argue, the instrumental model of corporate obligation, self-centered welfare is fairly easily and readily given up in economic models of behavior. It is not only extremely unrealistic to assume that people do not get any welfare from anyone else's consumption bundles, but, as Sen shows,[36] it is also unnecessary for the formalization of most of economic theory. There may be some good reasons to incorporate this assumption into one's ethical theory, but descriptively it seems clearly false and misleadingly so. It would not allow us to make sense of any sort of other-directed behavior, whether positive or negative. However, the assumption of self-welfare goal is more commonly defended as necessary for economic models. Sen agrees that much altruistic behavior can be made sense of as a kind of maximization of self-interested behavior if we suspend the assumption of self-centered welfare and allow concerns for others to play a role in agents' utility functions, that is, in their self-goal choices.

Sen distinguishes between sympathy and commitment, two types of other-directed motivations that violate self-centered welfare. Sympathy involves one's own feelings about the experiences of others; it is "the case in which concern for others directly affects one's own welfare."[37] Thus, admitting sympathy as a type of motivation does not violate the self-welfare goal assumption, which allows the economist to model behavior as maximizing a well-behaved (albeit not aimed at selfish consumption) utility function. Commitments, however, sometimes motivate agents to set aside their own goals in the interest of a different goal. When one acts on a commitment, one does something for the sake of a principle, a promise, a group norm, or the anticipation of future welfare.[38]

Although a commitment may motivate action that also maximizes one's personal welfare, commitments sometimes require one to sacrifice personal welfare for the sake of adhering to the commitment. Take voting in a large, democratic contest, for example. In such a situation there is a vanishingly small probability that any one person's vote will determine the results of the election. So the motivation for voting cannot be to bring it about that one's preferred candidate will win. But that is the natural interpretation of the motivation, if we assume that one acts to maximize one's personal welfare. If we drop the assumption of self-welfare goal, then commitments to political or moral principles, or to an identity as a member of a political community, emerge as possible motivations to explain voting behavior.

One might object that adhering to a commitment should be interpreted as itself welfare maximizing, thus preserving self-welfare goal. But we can readily imagine cases where it is highly doubtful that the voter's welfare is enhanced, such as when voting puts the voter in obvious great personal danger. In such cases it is far simpler to admit that the motivation is not the person's welfare but rather the adherence to an external norm for which the person is willing to sacrifice. This point can be made even more forcefully from an advice-giving perspective. If we want to advise someone on what he ought, morally or prudentially, to do when it is very dangerous or costly to vote in a particular election, we would not recommend that he vote if his only aim is to make sure his own welfare is enhanced or that his preferred candidate wins. Instead, we should ask him whether he thinks there is some higher principle or other consideration at stake in voting that would make such a risk or cost worthwhile.

In order to incorporate commitments into his formal theory of preference, Sen proposes that persons rank options differently according to different principles to which they are committed. For example, consider a typical faculty member thinking about how to vote in a departmental hiring decision. One might rank A over B when considering only what is in one's own research interest, but B over A when considering the best thing to advance the department's teaching mission. Sen proposes what he calls meta-rankings to model decision making given the plurality of motivational principles. A meta-ranking is a ranking according to the preferences one has for the various principles and their orderings. A meta-ranking for departmental hiring, for example, might be to rank advancing the teaching mission above advancing one's research interests. Modeling persons as choosing according to meta-rankings will allow the model to express commitments to a variety of things, such as deontic obligations, morality, or other non-self-interested principles, by the meta-ranking, which can then be treated as a preference ordering that can fit into a maximizing model. This account of meta-rankings allows multiple theories of motivation that are not simply self-interested in the sense of self-welfare goal. Applied to business ethics, a corporate board member might choose to rank order actions that avoid child labor above those that improve the bottom line, for instance.

Finally, and most controversially, Sen argues that commitment may involve violation of self-goal choice. To understand just what is at stake with this claim, Philip Pettit distinguishes between goal-modifying commitment and goal-displacing commitment.[39] A goal-modifying commitment is a commitment that alters the agent's own goals based on recognition of others' goals and how the agent's behavior affects them. The meta-ranking model can reflect the overall goal that an agent pursues in light of competing goals, such as one's desire to affect others for good or ill. A goal-displacing commitment is a motivation that replaces the agent's goals with another's goals or the goal of a group, or possibly an impartial moral norm. This latter sense of commitment as goal displacing violates the assumption of self-goal choice and cannot be incorporated into a model of the *agent's own* ranking or meta-ranking. While some such behavior is clearly robotic or slavish (such as crowd behavior in a riot), some instances of such behavior are shaped by social norms that guide behavior but are not questioned or considered.[40] The agent's goals might involve the goals of a group with which the agent identifies. However, autonomous action requires acting on one's own goals rather acting on behalf of a principle or goal that one does not oneself endorse.

Friedman's argument for the instrumental model must assume all three aspects of self-interest for his arguments to work. He argues that shareholders qua shareholders are concerned only about their own private ownership of wealth, and the corporation is simply an instrument of (that conception of their) self-interest. While they may constrain their behavior by social custom, profit maximization remains the goal within those constraints. Of course what motivates the desire for wealth can be complex in any given individual's case, but the point Friedman is making is that such complexities can be abstracted from and modeled as self-interested welfare, where welfare is measured by financial profit. Yet this is what Sen's analysis of self-interest and theory of commitment compel us to deny. First, Sen shows us that there is no reason to assume that behavior is always self-centered. Acting from sympathy as a kind of self-interested behavior may fit into the instrumental theory generally, but not Friedman's version, which takes profit to be the only kind of self-interest for shareholders qua shareholders. We can see this clearly by considering the consequentialist version of the argument. If each firm pursues profit maximization, it is argued that a Pareto efficient outcome will be secured. But if welfare depends on something other than profits, then the outcome that is Pareto efficient when measured only by profits will not be so when welfare depends on something other than profits. Second, if self-welfare goal does not hold of the motivations of shareholders, then Friedman cannot conclude that all shareholders seek to maximize profits.[41] It may be that many or most of the shareholders do seek this, but it is not the only goal pursued by agents, as Sen argues. I will elaborate on Sen's theory of commitment to argue that there are other legitimate and likely goals of shareholders below. Third, Friedman also has to assume that the goals of the agents are their own for the deontological version of the argument to hold. The deontological version holds that the shareholder has a right to be treated as autonomously contracting with the managers of the firm. On the assumption that the goal of the shareholder is profit maximization, that is what the firm must do. But if self-goal choice does not hold, then the shareholder is not acting on a goal that is his own, and hence there is no imperative to uphold the goal in order to respect the shareholder's autonomy, where autonomy is taken to be the shareholder's authentic choice. For example, if the shareholder chooses to invest in a company because he is simply following the lead of his union buddies, then his autonomy is not at stake in determining the actions of the company, since his investing was not an autonomous decision.

Sen's theory of motivation thus gives us additional reasons to reject Friedman's and Hasnas's arguments for the instrumental model of corporate behavior. First Sen's critique of revealed preference shows that we should question the descriptive connection between choice behavior and preference that may underlie their assumption that shareholders are generally seeking to maximize profit within the constraints of social custom. Second, Sen's analysis and critique of the assumption of self-interest show that although some motivations can be captured by some notion of self-interest, they cannot all be reduced to self-centered welfare, let alone to the latter being identified with, or reduced to, profit maximization only. In addition, agents are sometimes motivated by commitments that lie beyond thoughts of their own welfare or even their own non-self-centered goals.

Sen claims that commitments can play at least four kinds of roles in motivating behavior. First, adopting a commitment can be a means of building a reputation or a way of restraining oneself and thereby achieving some longer-term goal that involves one's own consumption, such as putting away funds for retirement, or throwing away the full pack of cigarettes. We might call this a "strategic commitment." This sort of commitment is like a long-term investment, but it has implications for the rejection of the instrumental model. Shareholders and owners invest for different time horizons, different life plans or priorities, and different phases of life. Even if they were concerned only with profit maximization, different time horizons will imply different and conflicting strategies for a business. Perhaps the Friedman supporter will respond that these complications can be avoided by pursuing a simple strategy of overall profit maximization. But even the business that aims simply to pay a consistent and dependable dividend will need to consider for how long it intends to do this, and adjust the strategy according to that time horizon. For example, coal companies right now should be considering diversifying their product into other energy sources and so forth, if they hope to still be paying out dividends in twenty years. Thus a commitment to profit maximization is not as clear a strategy as the instrumental model seems to suggest.

Second, acting on a commitment can serve to project an image for an agent. This kind of commitment, which I will call an "identity commitment," motivates actions that are typical of identity formation, such as buying a share of the local football team when the share neither maximizes the agent's expected profits nor brings any other direct benefit. Identity commitment can thus clearly conflict with the goal of profit maximization, and therefore with the instrumental model's recommendation to maximize profit subject only to the constraints of custom.

Commitments motivate behavior in two additional ways that point away from self-interest as the general or common goal that motivates actions. Persons can act out of social or "ethical commitments" that they embrace as at least in part their own goals, even when the outcomes of abiding by such commitments are not self-welfare enhancing. Sometimes agents choose on the basis of principles that are recognized in their communities, or that they recognize as socially beneficial or morally good. As I pointed out earlier, Sen argues that shareholders may value just communities intrinsically. If shareholders have such commitments, then for the corporation to act only in the interest of profit maximization can require it to act contrary to these ethical commitments.

Finally, Sen argues that persons sometimes act on commitments that replace their own goals, that is, goal-displacing commitments. Such commitments can help explain the fact that people often cooperate in Prisoner's Dilemma (PD) situations even though standard rational choice theory recommends defection in the one-shot game. By recognizing that the only way to "solve" the PD is to commit to cooperate, despite the fact that doing so entails sublimating their own goals to that of the community, persons can act rationally on a commitment to a goal that is not their own. According to Sen, this is a kind of social thinking, "part of living in a community,"[42] and a non-self-interested way of adopting a group identity. Thus, according to Sen, persons can act rationally on group-based preferences that are not their own but from which they rationally act as if they were.

Recognizing these four kinds of commitments as possible motivations for business or corporate behavior allows us to consider ways that businesses may deliberate about strategies for investment and about their social and moral obligations.[43] That is, commitments represent ways that a variety of ethical, political, or other normative concerns are to be ordered in the corporation's meta-ranking. Minimally, corporations must order the welfare of different shareholders with different time horizons, choosing to set some time horizon as the goal for profit maximization. They must also consider what social and moral commitments are necessary to preserve relationships of trust within their firm, at least, and arguably throughout society.[44] Finally, if corporations are to be responsive to shareholders, then they must consider the commitments that shareholders consider important, which will include commitments to their communities and the individuals within them. In sum, as Sen has argued, businesses ought to consider a much wider variety of values and commitments than that recognized by the instrumental model (which assumes that profit maximization is the sole interest of the shareholder) if they are to serve the deeper, and more realistic, interests of their owners.

One might suggest that the instrumental model can be salvaged by jettisoning the assumption, which Sen has cast in doubt, that shareholders qua shareholders are motivated only by profit maximization. Then the instrumental model would hold that businesses should operate to fulfill the aims of the shareholders, whatever they are, subject to the constraints of law and custom. This suggestion saves the instrumental model at the cost of making it both vague and implausible as an ethical theory. It is vague because it would not supply any particular ends other than whatever ends the shareholders happen to have. It is also implausible as an ethical theory, since the particular ends that the shareholders happen to have are not guaranteed to be ethical ones.

CONCLUDING REMARKS

As we have seen, Sen's work on self-interest and commitment opposes the instrumental model for descriptive and normative reasons. Descriptively, Sen shows that our interest and commitments may conflict with the sole goal of profit maximization. Normatively, Sen argues that widespread ethical behavior in society is necessary to develop the general sense of trust, without which exchange and production cannot efficiently proceed. Similarly, ethical behavior within firms is valuable to their bottom line. While the instrumental model can recognize the value of a general sense of trust in society or of ethical behavior in firms, its recommendation to individuals to pursue their self-interest constrained only by custom does not imply that the individual herself should always act in ethical ways.

It is less clear which model of corporate moral responsibility Sen would uphold, but I will offer some tentative inferences. In his recent work on justice, Sen eschews what he calls transcendental arguments for justice that are comprehensive theories designed for ideal conditions, in which the starting point is a perfectly just world.[45] Sen argues for taking a more pragmatic and piecemeal approach, which focuses on outcomes that can be realized in this world. It seems likely, then, that he would not favor the methodology of the *hypothetical* social contract model for use in the decidedly nonideal world of business.

Nonetheless, a social contract model recognizes that businesses provide benefits that give us reason to encourage their existence and to create a climate of trust in which they can operate. Sen's remarks on the role of commitments in creating an open and trusting community suggest that the social contract model is right to emphasize the benefits of businesses (as was the instrumental model). Both the stakeholder and corporate moral responsibility theories (unlike the instrumental model) focus on the interests of those affected by the decisions of businesses, which Sen would also consider important. However, they each rely on a background moral theory to determine who is affected and why that matters morally, questions that the social contract model addresses. Thus, although no one of the existing models would be sufficient in itself to be Sen's favored model of corporate moral obligations, a realization-focused contractualist model that takes the real or actual commitments as well as the interests of those affected by businesses into account may speak to his most important concerns. Such a model would need to provide a descriptive account of actual needs, interests, and commitments (perhaps along the lines of his capabilities approach).[46] The contractualist element of the model would show how businesses, within constraints derived within the model, could be operated to optimally achieve those needs, interests, and commitments given their partially conflicting and partially overlapping nature.

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NOTES

1. Amartya Sen, "Does Business Ethics Make Economic Sense?," *Business Ethics Quarterly* 3, no. 1 (January 1993): 45–54; Sen, "Economics, Business Principles, and Moral Sentiments," *Business Ethics Quarterly* 7, no. 3 (July 1997): 5–15; and Sen, "Business Ethics and Economic Success," *Notizie di Politeia* 16 (2000): 3–13. See also his conference lecture "Ethical Challenges: Old and New," International Congress on "The Ethical Dimensions of Development: The New Ethical Challenges of State, Business, and Civil Society, " Brazil, July 3–4, 2003, http://www.exclusion.net/images/pdf/623_duvub_bra_sen_desaf-i.pdf.

2. Amartya Sen, *Development as Freedom* (New York: Alfred A. Knopf, 1999); Sen, *The Idea of Justice* (Cambridge, MA: Harvard University Press, 2009).

3. Amartya Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy & Public Affairs* 6, no. 4 (1977): 317–44; and Sen, "Economics, Business Principles, and Moral Sentiments."

4. It is of course possible that ethical deliberation will result in compliance with prevailing norms. But the point here is that ethical deliberation may lead one to the conclusion that complying with the prevailing norms is immoral.

5. What I will claim Sen is arguing for with respect to the moral responsibilities of businesses applies equally to corporate and noncorporate businesses, and includes social responsibilities as well. Others I discuss here, such as Milton Friedman and Thomas Donaldson, sometimes refer more specifically to corporations. Friedman uses the term "social responsibility" in a way that I will construe as a type of moral responsibility that concerns society generally rather than simply individuals. The distinction between moral and social will not play a role in this essay—what is important is that they are alleged responsibilities. I will use both "business" and "corporation" depending on whether I am discussing these more specifically aimed arguments or Sen's. However, the debate over moral/social responsibility applies mutatis mutandis to businesses more generally, as it does to corporations.

6. By moral obligation or responsibility I mean an obligation arrived at through moral deliberation and supported by demonstrably moral norms. Social responsibilities are those that are supported by social norms and may or may not be morally obligatory. I use "responsibility" and "obligation" basically interchangeably.

7. Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," *New York Times Magazine,* September 13, 1970, 32.

8. For an instantiation of the debate over the ontological status of corporations and whether they are agents, see Jan Garrett, "Unredistributable Corporate Moral Responsibility," *Journal of Business Ethics* 8, no. 7 (1989): 535–45; and Patricia H. Werhane, "Corporate and Individual Moral Responsibility: A Reply to Jan Garrett," *Journal of Business Ethics* 8, no. 10 (1989): 821–22. Since Sen has little to contribute to this debate, I will pass over it for the purposes of this essay.

9. Such firms could have goals that are antisocial or immoral, raising the question of

whether such goals should be pursued if they do not fall within the laws and social norms of society. Although this is an interesting question, I shall leave it for others to ponder.

10. Marcel van Marrewijk, "Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion," *Journal of Business Ethics* 44, no. 2 (2003): 95–105.

11. Recall that I am distinguishing actual moral obligations from any supposed duty to comply with custom.

12. John Hasnas, "The Normative Theories of Business Ethics: A Guide for the Perplexed," *Business Ethics Quarterly* 8, no. 1 (1998): 29.

13. Thomas W. Dunfee and Thomas Donaldson, "Contractarian Business Ethics: Current Status and Next Steps," *Business Ethics Quarterly* 5 (1995): 173–86.

14. Hasnas, "Normative Theories of Business Ethics," 29.

15. The mutual benefit contractarian, such as David Gauthier, *Morals by Agreement* (Oxford: Oxford University Press, 1986), might object that in fact such a conflict would not occur. But this could only be true if the instrumentalist is a constrained maximizer, and if the social contract model is taken to be a mutual advantage contractarian theory, which has not been true of theories articulated to date.

16. Patricia H. Werhane et al., *Alleviating Poverty through Profitable Partnerships: Globalization, Markets, and Economic Well-Being* (New York: Routledge, 2010), 71.

17. Ibid., 71.

18. I have omitted discussion of virtue ethics theories because moral or social responsibility is only indirectly derivable from such theories.

19. Friedman, "Social Responsibility of Business," 33.

20. Hasnas, "Normative Theories of Business Ethics," 21.

21. Sen, "Does Business Ethics Make Economic Sense?," 45–46.

22. Ethics cannot be accommodated by the instrumental model as the *source* of moral obligations. The instrumental model allows social, ethical, and legal customs to be taken as constraint, but does not require or allow ethical reasoning, which might conflict with custom, to determine the aim of business transactions.

23. On this point, see also Sen, "Ethical Challenges."

24. Sen, "Economics, Business Principles, and Moral Sentiments," 10.

25. Sen, "Does Business Ethics Make Economic Sense?," 51.

26. The instrumental model encourages a calculating, amoral attitude if that is conducive to self-interest. Where it is not—for example, if others can detect those attitudes and penalize persons who have them—then it recommends hiding those attitudes or eliminating them if necessary to maximize satisfaction of self-interest.

27. Sen, "Economics, Business Principles, and Moral Sentiments."

28. Ibid., 6.

29. Ibid.

30. Amartya Sen, *Identity and Violence: The Illusion of Destiny* (New York: W. W. Norton, 2006).

31. Sen, "Economics, Business Principles, and Moral Sentiments," 8.

32. Paul Samuelson, "A Note on the Pure Theory of Consumers' Behavior," *Economica* 5 (1938): 61–71.

33. Amartya Sen, "Maximization and the Act of Choice," in *Rationality and Freedom* (Cambridge, MA: Belknap Press of Harvard University Press, 2002), 749.

34. Accepting Sen's critique of revealed preference means that any theory that interprets preferences from behaviors can be questioned as well.

35. However, it is not clear that Sen accepts this conception of autonomous agency. See Philip Pettit, "Construing Sen on Commitment," *Economics and Philosophy* 21, no. 1 (2005): 19.

36. Pettit, "Construing Sen on Commitment," 19.

37. Sen, "Rational Fools," 326.

38. Although "commitment" has a positive connotation in ordinary speech, Sen does not assume that all behavior that takes commitment as its goal is morally worthy, or in the interest of most or all others. For example, a commitment in the form of group loyalty may involve sacrifice of one's "purely personal" interests for the sake of the group or the group's cause, yet the cause may not be a morally good one. Furthermore, some forms of commitment are morally suspect because of the way that the self is sublimated, as often happens with oppressed persons who come to believe that they are naturally or deservedly treated as second-class citizens.

39. Pettit, "Construing Sen on Commitment," esp. 18–20.

40. Sen discusses the rationality of such commitments in *The Idea of Justice* (Cambridge, MA: Harvard University Press, 2009), 191–93. He argues that we can see such commitments as reflecting self-imposed behavioral constraints. Elsewhere I have argued for a model of agency that takes the foundational notion to be acting according to norms that one accepts in order to include such goal-displacing commitments as self-motivated if not autonomous actions. See Ann E. Cudd, "Commitment as Motivation: Sen's Theory of Agency and the Explanation of Behavior," *Economics and Philosophy* 30, special issue no. 1 (2014): 35–56.

41. Although it is true that Friedman says this is "generally" the motivation of shareholders, to the degree that it is not the motivation of shareholders it follows even less from his arguments that the obligation of corporations is to maximize profits.

42. Sen, "Goals, Commitment, and Identity," in *Rationality and Freedom*, 212.

43. I. B. Lee, "Implications of Sen's Concept of Commitment for the Economic Understanding of the Corporation," *Canadian Journal of Law & Jurisprudence* 21 (2008): 97–127.

44. I have not provided this argument here, admittedly, and doing so would take us too far afield.

45. Sen, *Idea of Justice*.

46. Ingrid Robeyns, "The Capability Approach," in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta, Summer 2011 ed., http://plato.stanford.edu/archives/sum2011/entries/capability-approach/.