

# CORPORATE RESPONSE TO A NEW ENVIRONMENT

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## INTRODUCTION

In 1959 Edward S. Mason, then George F. Baker Professor of Economics at Harvard University, observed that “the business corporation is so much our most important economic institution and it is so thoroughly integrated into our business culture that to suggest a drastic change in the scope or character of corporate activity is to suggest a drastic alteration in the structure of society.”<sup>1</sup> It is evident that in the intervening two decades the reverse of that process has been taking place: to wit, drastic alterations in the structure of society are causing fundamental changes in the scope and character of corporate activity.

To even the casual observer of the business scene, the corporate world appears to be at the barricades. As James Q. Wilson portrays it:<sup>2</sup>

Public confidence in the corporation has fallen . . . the national media are increasingly critical, capital formation is inhibited by taxes and inflationary policies, the profit margins of corporations have declined, social and economic regulations proliferate almost faster than the Federal Register can print them, anti-trust prosecution . . . falls more heavily on firms here than elsewhere and the barriers to public control of traditionally private industries . . . are dropping rapidly.

Corporations counter these developments through economic education, advocacy advertising, and public relations. Yet behind the charge and countercharge lie fundamental changes in society that have moved many institutions of government, education, law, medicine, religion, and family—as well as business—to redefine their roles. The modern American corporation has adapted its relationship to society before; but its original design as a private institution producing profit for a relative few has survived all social change—until now. Today the large corporation is being redefined as a public institution engaged in a wide range of activities some of which appear unrelated to short-term profitability.

This article examines the effects of these recent developments on the relationship between the corporation and public policy.<sup>3</sup> It considers the social

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1. THE CORPORATION IN MODERN SOCIETY 1 (E. Mason ed. 1960).

2. Wilson, *Democracy and the Corporation*, Wall St. J., Jan. 11, 1978, at 14.

3. Throughout this discussion, unless otherwise specified, the term “corporate public policy” will refer to a corporation’s relationship with all of its publics.

environment in which a corporation must operate and suggests how corporations can interact with public policy to achieve an improved equilibrium between public and private enterprise.

## I

### THE NEW ENVIRONMENT

Today's social environment is changing with a rapidity unequaled in the history of the human experience. Such changes have been amply chronicled in numerous books and journals.

However, it is worth noting the new social environment in its historical context.

In *A Study of History* Arnold Toynbee defines a shift in emphasis that takes place at a certain stage of a civilization's growth. Toynbee observes:<sup>4</sup>

[W]e may persist in the view that a given series of successful responses to successive challenges is to be interpreted as a manifestation of growth if, as the series proceeds, *the action tends to shift from the field of the external environment—whether physical or human—to the for intérieur of the growing personality of the growing civilization*. In so far as this grows and continues to grow, it has to reckon less and less with challenges delivered by alien adversaries and demanding responses on an outer battle-field, and more and more with challenges that are presented by itself to itself in an inner arena. [Emphasis added.]

Victorious responses, Toynbee suggests, "do not take the form of surmounting an external obstacle or of overcoming an external adversary but manifest themselves, instead, in *an inward self-articulation or self-determination*."<sup>5</sup> (Emphasis added.) Toynbee then concludes, "Growth means that the growing personality or civilization tends to become its own environment and its own challenger and its own field of action. In other words, *the criterion of growth is progress towards self-determination. . . .*"<sup>6</sup> (Emphasis added.) Toynbee is suggesting that how a society responds to the internalization of its growth determines whether or not the society moves to a higher stage of development.

Toynbee's observations offer a helpful perspective on the public issues of the present day. For over two centuries America has successfully responded to a long series of external challenges. We forged a nation, cleared the wilderness, preserved our union, established an industrial base, defended our freedom in history's two greatest wars, provided the necessities of life for the majority of our people, amassed the most gigantic concentration of wealth and power in the history of mankind, probed the heavens and landed on the moon, and we now seek to master the structure of matter and the process of life itself. Present-day international problems notwithstanding, we have thus

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4. A. TOYNBEE, III *A STUDY OF HISTORY* 216 (1934).

5. *Id.* at 192.

6. *Id.* at 216.

far successfully responded to the external challenges of growth, and now the challenges of growth are being internalized.

Most of our economic and political institutions were conceived and developed in the eighteenth- and nineteenth-century context of social stability, modest per capita wealth, and unlimited room for expansion. We are now readjusting our economic and political institutions for a twenty-first-century context of social flux and mobility, high per capita wealth, and limited room for expansion. This is forcing us, as Fritz Stern said of present-day Germany, "to wrestle not only with the practical issues of economic well-being in a world of contracting opportunities, but with the more fundamental questions of moral purposes and national priorities."<sup>7</sup>

The change taking place is, according to Willis Harman of SRI International, "a change involving all our social, political, and economic institutions; our social roles and expectations; and even the basic premises underlying modern culture and values."<sup>8</sup> Much that is traditional in thought and practice is being challenged, and the problem is to know what to discard and what to retain from the old order.

Public opinion polls daily confirm the search—to use Toynbee's term—for a new self-articulation. Daniel Yankelovich, for instance, talks of "the emergence . . . of . . . the self-fulfillment movement."<sup>9</sup> Sensitivity training, group therapy, an interest in Eastern religions, and the resurgence of Christian fundamentalist movements are all part of this search for a new self-articulation.

In a historical context, the entire process of internalization is what public discussion for over a decade has been all about. The questions of income distribution, public spending on social services, equal opportunity, new lifestyles, resource use, the quality of life, institutional legitimacy, the role of women, corporate social responsibility and accountability—these are all part of the internalization of growth. Specific public discussion of the legitimate role of the corporation—exemplified in the work of Peter Drucker,<sup>10</sup> Milton Friedman,<sup>11</sup> and Robert Heilbroner<sup>12</sup>—continues to have priority in this national agenda. Many commentators point to specific changes in underlying values for an explanation.

George Lodge, for example, suggests that basic value shifts have extended to such areas as individualism, property rights, and the social concepts on which America's liberal democracy has been erected. Lodge sees individualism

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7. Stern, *The Pressures of Liberalism and Terrorism in West Germany*, N.Y. Times, Dec. 30, 1977, at A25.

8. W. HARMAN, *AN INCOMPLETE GUIDE TO THE FUTURE* 3 (1976).

9. Yankelovich, *Emerging Ethical Norms in Public and Private Life*, Seminar, Columbia University, at 10 (Apr. 20, 1977).

10. See P. DRUCKER, *MANAGEMENT: TASKS, RESPONSIBILITIES, PRACTICES* 40 (1974).

11. See M. FRIEDMAN, *CAPITALISM AND FREEDOM* (1962).

12. See R. HEILBRONER, *BUSINESS CIVILIZATION IN DECLINE* 20 (1976).

yielding to communitarianism and property rights being replaced by community need.<sup>13</sup> Yet in some fundamental ways there has never been such an extension of individualism as there is today. Increased individualism is one of the results of affluence and greater access to information. Prosperity and knowledge multiply individual choice, which in turn leads to greater social diversity, witness the proliferation of life styles or the increasing tendency in politics to ignore the party line and follow one's own instincts and preferences.

Robert Heilbroner identifies a more specific effect of recent change on our economic values: dissatisfaction with the unbalanced pursuit of materialism. Writes Heilbroner, "Economic growth and technical achievement, the greatest triumphs of our epoch of history, have shown themselves to be inadequate sources for collective contentment and hope. Material advance, the most profoundly distinguishing attribute of industrial capitalism and socialism alike, has proved unable to satisfy the human spirit."<sup>14</sup> Louis Harris has detected this dissatisfaction, reporting that people feel it is time to learn to live on less of the material goods of life, but with better human relationships.<sup>15</sup>

The corporate world itself, of course, is the source of genuine concern over the apparent decline of the Protestant Ethic. Such a decline, however, may be one of the unintended consequences of our pursuit of affluence. What, for instance, did the credit card do to thrift and delayed gratification? What has the commercial pursuit of hedonism done to those transcendental intangibles which have historically been the cohesive element in our institutions of family, education, and church? What have advertising pressures done to make the seven deadly sins of a bygone age become propelling forces of our modern consumer economy? If our traditional values have indeed declined, it has resulted, in part, from a distortion of the business method—a distortion which tends to hold technical efficiency and financial profit as life's primary measurement and reward, and to define progress and culture in econometric and commercial terms.

There are inevitable long-term effects on corporations of the fundamental quest for different values and the concomitant search for new levels of self-determination. Lodge's perception of the change in individualism is borne out in our corporate economic arrangements, where community ownership has been replacing individual ownership for decades. Berle and Means long ago highlighted the initial move away from the traditional concept of private property—the move to a "managerial capitalism."<sup>16</sup> The latest chapter in this trend was chronicled by Peter Drucker, who tells us that it is the American worker, through pension funds and other means of institutional investment,

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13. See G. LODGE, *THE NEW AMERICAN IDEOLOGY* 163-97 (1975).

14. Heilbroner, *Second Thoughts on The Human Prospect*, 18 *CHALLENGE*, May-June 1975, at 21, 26.

15. Harris, *Harris Survey*, Washington Post, May 17, 1977, at D8.

16. See A. BERLE & G. MEANS, *THE MODERN CORPORATION AND PRIVATE PROPERTY* (1932).

who now owns over one third of the equity capital of American business, a control which will increase to two-thirds of equity capital before the turn of the century.<sup>17</sup>

Heilbroner's view of materialism also affects corporations. One major consumer-oriented firm recently published a forecast for the coming decade which predicts that "for society as a whole, materialism will become a weaker motivator."<sup>18</sup> Others have predicted the rise of an anti-industrialism movement which will seek a role in deciding what goods and services will be made available to whom.<sup>19</sup> If such impulses are translated into reduced consumer purchases, it will have a profound impact on jobs, income, and the structure of our economy.

Tentative evidence suggests that value changes are beginning to affect work habits as well. Personnel officers are reporting a decline in employees' readiness to accept overtime or weekend work, even at double pay.<sup>20</sup> Executive recruiters find corporate executives less willing to uproot their families to transfer. One survey finds that the percentage of companies reporting that employees turn down transfers has doubled over the past four years.<sup>21</sup>

These effects are summed up by Daniel Bell, who suggests that the corporation is undergoing a shift from an "economizing" mode to a "sociologizing" mode in which increased numbers of people find the human needs of security, recognition, and new experiences and responses are satisfied.<sup>22</sup> "To think of the business corporation, then, simply as an economic instrument," says Bell, "is to fail totally to understand the meaning of the social changes of the last half century."<sup>23</sup> The more than \$208 billion paid by private industry in 1976 for employee benefits beyond wages and salaries certainly supports this proposition.

In short, the corporation has evolved from a private facility under the control of a few people aiming for profit maximization into a "social unit also having, like other basic social entities . . . responsibilities that transcend economics."<sup>24</sup> A new legitimacy for the corporation as a public institution is in fact evolving. This is made manifest not by some neat logic but, as Ackerman and Bauer point out, in terms of "the future relationship of business to [its] constituencies." The corporation's role, they suggest, is being "determined by

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17. P. DRUCKER, *THE UNSEEN REVOLUTION: HOW PENSION FUND SOCIALISM CAME TO AMERICA* 1 (1976).

18. GENERAL TELEPHONE & ELECTRONICS CORPORATION, *TOWARDS THE YEAR 1990: A SCENARIO* 23 (Aug. 1977).

19. Bloom & Stern, *Emergence of Anti-Industrialism*, 19 *BUS. HORIZONS*, Oct. 1976, at 87.

20. *How Men Are Changing*, *NEWSWEEK*, Jan. 16, 1978, at 53.

21. *Id.* at 54 (reference to Atlas Van Lines).

22. See BELL, *THE COMING OF POST-INDUSTRIAL SOCIETY* 269-98 (1973).

23. *Id.* at 295.

24. The American Assembly, *The Ethics of Corporate Conduct* 4 (Report of the 52d American Assembly, April 14-17, 1977).

the way in which these relationships are worked out.”<sup>25</sup> This is evident as one surveys the interaction between the corporation and its stakeholders. Corporate response to consumer complaints, for instance,—horror stories notwithstanding—has never been so great. The awareness of the corporation of its responsibility to the communities in which it operates led IBM, for example, to contribute worldwide over \$21 million in 1976 to community causes.<sup>26</sup> Thus also Polaroid Corporation has instituted a hearing procedure for employees who believe themselves to have been wronged by superiors,<sup>27</sup> and New England Telephone operates a hotline for employees who have questions or grievances.<sup>28</sup>

This is not to suggest that corporations are becoming charitable institutions bestowing riches on the needy. It is to suggest, however, that as John Paluszek says, “Something is stirring in the corporation—in the way it relates to people, be they employees, shareholders, customers, or neighbors in the community or in society generally. In many corporations there is under consideration—and, in some, under development—a new ethic, a new way to do business.”<sup>29</sup> New modes of conduct are being developed by corporations in response to the dynamics of social change and the new perspectives such change brings.

Nowhere is this more dramatically exemplified than in the Securities and Exchange Commission’s consideration of corporate governance. There is no doubt that the issue of corporate governance was dramatized by revelations of major corporate misdeeds during the Watergate affair. The corporate world was stunned at the ease with which government figures were able to pressure corporate executives for political contributions. Even more startling has been the incapacity of auditing procedures to reveal illegal payments, both at home and abroad. This has led to a fundamental reconsideration of the audit function as well as to public and governmental demands for more complete disclosure.

The basic impulse towards some type of reform of the board system, however, has its rationale in a deeper influence than the revelation of misconduct. Changes in technology and communications, increased global interdependence, and individual awareness and aspirations have all played a part in forcing a reevaluation of the board’s function. Although there are legal complexities to the issue, the logic underlying such a reevaluation is simple and irrefutable: An institution that has such a dominant influence on the lives of so many citizens—in terms of jobs generated (directly and indirectly), prices,

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25. R. ACKERMAN & R. BAUER, *CORPORATE SOCIAL RESPONSIVENESS: THE MODERN DILEMMA* 15 (1976).

26. Kleinfield, *Corporate Charity: Running the Alms Race*, N.Y. Times, Jan. 1, 1978, § 4, at 12.

27. Ewing, *The Corporation as Public Enemy No. 1*, SATURDAY REV., Jan. 21, 1978, at 12, 16.

28. *Id.* at 15.

29. J. PALUSZEK, *WILL THE CORPORATION SURVIVE?* 4 (1977).

psychic satisfaction of workers, the environment, and the course of the economy—any institution with such widespread and fundamental effects is for all practical purposes a public institution and as such should be subject to some form of public accountability. And in fact such a trend is well under way.

A recent Business International study, for instance, notes that the United States has done more than any other nation in having outside directors serve on corporate boards.<sup>30</sup> On average the present ratio of outside to inside directors of major U.S. companies is 2 to 1, with the exception of the oil and steel industries.<sup>31</sup> A recent Conference Board survey finds that in 1976 eighty-three per cent of the three hundred companies surveyed had a majority of outside directors.<sup>32</sup> In the brokerage business all firms listed on the New York Stock Exchange will be required by the SEC to have an audit committee composed entirely of outside directors by June 1978,<sup>33</sup> and the Business Roundtable recommends that all audit and compensation committees be composed entirely of nonmanagement directors.<sup>34</sup> A study further shows that women now serve on 28 per cent of manufacturing company boards and on 41 per cent of the boards of nonmanufacturing companies; black directors serve on 17 per cent of manufacturing company boards and on 32 per cent of nonmanufacturing company boards.<sup>35</sup>

The issue of control of corporate decisionmaking nonetheless will be a central political issue for the foreseeable future—simply because the evolutionary impulse in many areas of life is to move from representation to participation. This inevitably means more involvement of employees in decision-making, greater participation by stockholders in selection of directors, and greater participation of both the public and government in areas which affect the public welfare. Whether these developments will carry America to the point of Sweden's Democracy at Work Act, which gives Swedish labor "an effective veto right over *all* corporate decisions,"<sup>36</sup> depends in part on how American executives respond to the participatory trend reshaping American institutions.

Equally important to the legitimacy and purpose of an institution as its responsiveness to the external society is the question of internal authority:

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30. See Business International, *New Trends in Directorships and Corporate Governance* (Dec. 1977).

31. *Id.* at 26.

32. THE CONFERENCE BOARD, *THE BOARD OF DIRECTORS: PERSPECTIVES AND PRACTICES IN NINE COUNTRIES* (1977).

33. Crittenden, *World's Companies Changed by Moves For Accountability*, N.Y. Times, Jan. 4, 1978, at D7.

34. The Business Roundtable, *The Role and Composition of the Board of Directors of the Large Publicly Owned Corporation* 20 (Jan. 1978).

35. THE CONFERENCE BOARD, *supra* note 32, at 85.

36. Business International, *supra* note 30, at 10.

Who commands? A primary characteristic of the modern search for a new legitimacy is a reformulation of authority. When one looks at trade unions, families, universities, even the military, it is evident that the age-old mode of hierarchical authority is yielding to new forms. Nowhere is this fragmented authority more evident than in the political arena, where public interest groups have usurped much of the political authority of our traditional governmental institutions.

Equally evident is the changing character of authority within the corporation. The popular picture of the corporate state portrays the poor disenfranchised worker as a faceless digit in a massive computerized process. This view was perhaps valid during the period when Frederick Taylor's view reigned supreme: "In the past the man has been first; in the future the system must be first."<sup>37</sup> Taylor's methods of scientific management were developed during the height of Cartesian scientific rationalism as applied to the industrial process. It was called "functional rationalism" and was the underlying rationale of Alfred Sloan in the development of General Motors.<sup>38</sup>

But if we recall Toynbee's definition of growth as progress towards self-determination, we recognize that there is a definite trend in the American corporation towards the dispersal of authority, a tendency to be less "like the Prussian Army and more like a collection of colleagues,"<sup>39</sup> as Carl Madden describes it. Far from being simply a faceless digit, the employee is slowly becoming more of a participant in shaping the course of the corporation than at any point in the past century. Max Ways quotes the director of personnel development for General Motors: "We rely less on the managers to solve specific job-related problems. Now the employees participate in problem solving in cases where they have the best information."<sup>40</sup> The concept of matrix management which pushes decisionmaking down to more people and puts a premium on teamwork is but the latest example of the trend towards dispersed authority.

A redefinition or sharing of authority is, of course, the whole basis of the Scanlon Plan,<sup>41</sup> of the concept of interlocking work teams, and of various other forms of employee participation which are in place throughout industry. David Ewing of the *Harvard Business Review* notes that in many companies "there is a growing rejection of the chain of command, a feeling that this age-old device of leadership is too military and, for all the comfort it gives the corporate poo-bahs, too likely to insulate them."<sup>42</sup> Ewing goes on to report "a

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37. F. Taylor, quoted in Lodge, *Managerial Implications of Ideological Change*, in *THE ETHICS OF CORPORATE CONDUCT* 79, at 88 (C. Walton ed. 1977).

38. See D. BELL, *supra* note 22, at 276.

39. Madden, *Richer Lives: Outlook for Americans Beyond '77*, 81 *U.S. NEWS & WORLD REP.*, Jan. 3, 1977, at 84-86.

40. Ways, *The American Kind of Worker Participation*, 94 *FORTUNE*, Oct. 1976, at 168, 176.

41. See *Participative Management at Work*, 55 *HARV. BUS. REV.*, Jan.-Feb. 1977, at 117, 126.

42. Ewing, *supra* note 27, at 15.



new kind of innovation in industry—an innovation in rights of a constitutional nature . . .” Ewing has in mind the renunciation of the traditional prerogative of corporations to suppress criticism and whistle blowing by firing employees who speak out. Several leading companies, such as General Electric, Dow Chemical, IBM, and American Airlines, have established communication mechanisms which allow an employee to remain anonymous while challenging management decisions and practices.<sup>43</sup> The National Center for Productivity and the Quality of Working Life recently published a study of 180 worker-management committees in such firms as U.S. Steel, TRW, and General Foods which deal with such issues as work methods, waste reduction, productivity, energy conservation, education and training, and health and safety.<sup>44</sup>

The General Motors plant in North Tarrytown, New York, offers one of the most dramatic examples of dispersed authority at work. Ten years ago this plant was a cauldron of union-management hostility, absenteeism, and consumer grievances. Through a series of steps that started with assembly-line employees' helping to plan new work areas, employee involvement in plant decisions has substantially increased and employee morale is reportedly at an all-time high. And there has not been a strike or other work stoppage in many years.<sup>45</sup>

Although such new modes of operation so far only obtain in a small fraction of industry, it is fair to say that knowledge and competence are increasing in importance as the real basis of authority.

While corporations continue to internalize the process of growth they must adjust to the effects of the phenomenal external social and economic growth that has occurred, especially since 1950. Consider these examples:

- This year our economy passed the \$2-trillion mark, double what it was seven years ago and four times the size of the economy when John Kennedy was elected President.<sup>46</sup> This constitutes an output approaching \$10,000 for every American.
- In the U.S., even with a relatively stable population growth, the equivalent of a town of about 400,000 inhabitants is constructed once every eight weeks.<sup>47</sup>
- In the past twenty-six years we Americans have consumed more raw materials than were consumed by the whole of mankind in all previous history prior to 1950.
- In 1903, when Henry Ford launched his enterprise, the Ford Motor

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43. *Id.*

44. Batt & Weinberg, *Labor-Management Cooperation Today*, 56 HARV. BUS. REV., Jan.-Feb. 1978, at 96, 97.

45. Work in America Institute, Inc., 2 World of Work Report No. 12, at 133 (Dec. 1977).

46. See N.Y. Times, Jan. 8, 1978, § 12, at 1.

47. See Wellesley-Miller, *Towards a Symbiotic Architecture*, in EARTH'S ANSWER 79, 79-80 (M. Katz, W. Marsh, & G. Thompson eds. 1977).

Company had an authorized capital of \$150,000. They employed 125 men. In 1976 Ford had assets of over \$15 billion and employed nearly 450,000 people.<sup>48</sup>

One of the consequences of our gigantic growth is that the large corporation has become a uniquely integral component of our total economic system. Subsystems of finance, production, marketing, transportation, research, education, and communication combine to form what Eugene Loebel describes as a "single, incredibly complex and integrated system, which acts as one giant transformer [of natural resources to finished goods]."<sup>49</sup> Or as Jack Burnham has illustrated, "When we buy an automobile we no longer buy an object in the old sense of the word, but instead we purchase a three-to-five year lease for participation in the state-recognized private transportation system, a highway system, a traffic safety system, an industrial parts-replacement system, a costly insurance system . . . ."<sup>50</sup>

The creation of such an integrated economic system means that economic problems cannot be dealt with in discrete parts but must now be seen as part of whole systems. We no longer talk about unemployment, for instance, solely in terms of jobs but must consider transportation systems, educational facilities, government spending patterns, housing patterns, crime prevention, and much more.

Nor has the integration of our economic system stopped at the United States borders. With the relatively free international movement of technology, capital, goods, and services, the United States and other national economies now constitute one interlocking global system. U.S. corporations have played a primary role in this process, fostering world economic development and international trade and investment. Indeed, *Forbes* has identified "the multinationalization of industry" as the greatest single fact of world commerce in the late sixties.<sup>51</sup> Today many American companies are world corporations—with General Electric deriving one fourth of its revenues from foreign operations, Xerox almost two fifths, and Exxon almost two thirds.<sup>52</sup>

The phenomenon of an integrated world economy has been even more evident since the oil crisis. The problems that define the economic environment of U.S. corporations are global in character:

- Third-world industrial capacity is growing at a rate which increasingly threatens Western industry.
- A \$30-billion trade deficit continues to depress the dollar in world financial markets.

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48. See A. NEVINS, *FORD, THE TIMES, THE MAN, THE COMPANY* (1954) and *FORTUNE*, May 1977, at 366-67.

49. E. LOEBL, *HUMANOMICS* 26 (1976).

50. J. BURNHAM, *BEYOND MODERN SCULPTURE* (1968), quoted in D. BELL, *supra* note 22, at 285.

51. *Sixty Years of American Business*, *FORBES*, Sept. 15, 1977, at 90.

52. *Id.*

- Protectionism increases, raising the spectre of an all-out trade war.
- Mounting debt in the Eastern bloc raises questions as to their continued ability to pay for more Western goods.
- Uneven growth rates among countries of the Organization for Economic Cooperation and Development make unified approaches to common economic interests difficult.

Furthermore, there may be limitations in resources and in environmental tolerance that will restrict the future rate of world expansion more than in the past. Adapting to this changing world economic situation poses several significant challenges for U.S. corporations.

First, private enterprise growth in the future may depend more heavily upon capturing a larger share of the market than upon overall market growth. Coupled with the increased international production of manufactured goods, slower economic growth implies intensified competition in domestic and international markets.

Second, the prospect of slower growth also suggests that national expectations generated by the exponential growth of the postwar period may not be met by available resources. Furthermore, U.S. corporations are likely to act as lightning rods in the future as they inevitably attract the tensions of interest groups with competing claims on output. The involvement of U.S. corporations in such issues as environmental protection, consumerism, and minority rights may inexorably increase and, as Neil Jacoby has suggested, "[t]he clamor for deeper governmental intervention into the internal affairs of business will continue. . . ."<sup>53</sup>

Finally, international frictions that already exist may also be exacerbated. The commonality of world economic problems may serve to circumscribe unilateral government action. Advanced nations, already struggling to preserve their sovereignty in a world of growing interdependence, may desire more effective national oversight of multinational corporations (MNC's) and act to strengthen national controls. In much the same vein, the less developed nations, struggling with rising population and food and energy shortages, may further press the MNC's to assume a larger social responsibility for establishing a new and just international economic order.

One factor contributing to the ambiguous social role of U.S. corporations is the lack of effective international institutions to deal with worldwide economic problems. The need, as Daniel Bell portrayed it, is "to design effective international instruments—in the monetary, commodity, trade, and technological areas—to effect the necessary transitions to a new international division of labor that can provide for economic and, perhaps, political stability."<sup>54</sup> Interestingly, a Delphi panel (whose members came from academia,

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53. Jacoby, *Six Challenges to Business Management*, 19 BUS. HORIZONS, Aug. 1976, at 29, 30.

54. Bell, *The Future World Disorder: The Structural Context of Crises*, FOREIGN POLICY No. 27., Summer 1977, at 109, 134.

industry, and government) believe that several supranational groups are likely to be formed in the coming years, such as oil consumer organizations, a world food bank, and ocean resources management organizations.<sup>55</sup> Whether such developments would serve to clarify the public responsibilities of corporations is not clear. One thing, however, is certain: to adapt to changing international economic conditions and restructure international economic relationships and institutions we will require a more explicit and open interchange among all the segments of our society.

## II

### THE CORPORATION, GOVERNMENT, AND PUBLIC POLICY

It is against the background of the preceding discussion that the relationship between large corporations and government in developing public policy can best be viewed. This relationship is continually evolving.

During the first sixty years of the Republic government was primarily a support for business expansion. Economic development required a base and infrastructure, and government taxation, education, and transportation policies were tailored to meet this need.

As corporations began to develop during the last quarter of the nineteenth century, government began regulating the conditions of the competitive process within the market. Such regulation was frequently aimed at promoting an industry that was of special concern to the public. This practice lives on in the form of the independent regulatory agencies.

With the advent of the New Deal and, later, passage of the Full Employment Act of 1946,<sup>56</sup> government, through its fiscal policy and taxation powers, became committed to maintaining an acceptable level of economic growth and activity.

Since the 1950's at least two developments suggest we have entered a new phase of the business-government relationship. Over the past three decades the corporation has become one of the primary instruments by which government economic, social, and foreign policies are executed. In the area of foreign affairs, for instance, seven presidents for some thirty years have pursued policies which relied heavily on the involvement of thousands of corporations. This pattern has constituted the basis of America's strategic capacity during one of the most volatile and unstable periods of world history.

Government economic and social policies have generated many efforts since the early 1960's to use the corporation to fight urban decline, create job opportunities, enhance individual skills, attain social equality, and generally encourage economic expansion. Since passage in 1974 of the Employees Re-

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55. See O'TOOLE & THE UNIVERSITY OF SOUTHERN CALIFORNIA CENTER FOR FUTURE RESEARCH, *ENERGY AND SOCIAL CHANGE* 38, 68 (1976).

56. 15 U.S.C. § 1021 (1946).

irement Security Act<sup>57</sup> the corporation, through pension plans, has become a principal instrument of income security for America's retired workers.

Critics, of course, have warned of the dangers inherent in the development of the business-government relationship. John Kenneth Galbraith has persuasively analyzed the self-serving aspects of cooperation between "the planning system" and the "public bureaucracy," and he urges that government "be broken free from the control of the planning system."<sup>58</sup> Yet Peter Drucker sees this new phase as an era of the "mixed society" in which government is "a policy maker, a vision maker, a goal setter," while corporations and other nongovernmental institutions "carry out the doing work of needed programs."<sup>59</sup> Thus it would seem that use of the corporation as an instrument of government policies is here to stay and can only increase with time.

The other aspect of this relationship is the government's role in ensuring corporations' accountability as public institutions. In the past fifteen years 150 major pieces of legislation have been enacted by Congress regulating or restricting business activities as they relate to various corporate constituencies. An industry such as the steel industry is subject to some 5,000 regulations administered by 27 agencies. A study by the Diebold Group reveals that four out of five major decisions made by large corporations are directly connected with government regulatory bodies at one level or another.<sup>60</sup>

The cost of such regulation is staggering. The Office of Management and Budget reports that government regulation cost the public \$130 billion in 1976, involving 80 regulatory agencies or commissions employing over 100,000 people.<sup>61</sup> According to Paul Weaver, EPA alone will have required by the mid-1980's the direct investment of well over \$100 billion plus an unknown amount in operating expenses, inflation, and other social costs.<sup>62</sup>

Eli Lilly & Company says that the cost of complying with Federal paperwork alone adds fifty cents to the price of every Lilly prescription.<sup>63</sup> Near-term price increases, as Robert Leone suggests, may result from regulation that changes an industry's cost structure, thus modifying its competitive structure and influencing its cyclical characteristics of performance.<sup>64</sup> And Murray Weidenbaum points out that one hidden cost of federal regulation is a reduced rate of introduction of new products. Weidenbaum contends that a

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57. Pub. L. No. 93-406, 88 Stat. 829 (1974).

58. J. GALBRAITH, *ECONOMICS AND THE PUBLIC PURPOSE* 242 (1973).

59. P. DRUCKER, *supra* note 17, at 172, 173.

60. See The Diebold Group, Inc., News of the Professional Practice of the Diebold Group (Summer 1976).

61. N.Y. Times, Dec. 23, 1977, § 3, at 7.

62. Weaver, *Regulation, Social Policy, and Class Conflict*, 49 PUBLIC INTEREST, Winter 1978, at 45, 53.

63. See N.Y. Times, Jan. 9, 1977, § 3, at 15.

64. Leone, *The Real Costs of Regulation*, 55 HARV. BUS. REV., Nov.-Dec. 1977, at 57, 62.

four-year delay in introducing some drugs has caused America to lose its leadership in medical science.<sup>65</sup>

So there is a solid basis for concern that “[t]he real problem before the country is not whether new standards of social performance for business are necessary. Rather, it is the terrible inefficiency of government attempts to achieve improved business performance.”<sup>66</sup> What such a view fails to consider, however, is that much government regulation has been occasioned by the slowness of corporate leaders to respond to the genuine needs of their stakeholders. The Equal Employment Opportunity Commission, for instance, is clearly a legislative reaction to deliberate exclusion from the economic process. The Occupational Safety and Health Administration is a reaction (perhaps an overreaction) to neglect and lack of concern for the individual’s working conditions. The Toxic Substance Control Act<sup>67</sup> is a reaction to insensitivity and gross mismanagement. The rapid expansion of federal regulation clearly has arisen, in part, from a lack of consensus within the business community about more constructive ways to achieve social purpose. As *Business Week* noted, “In a system where profit is the measure of performance, business does not respond to the demand for values that cannot be quantified and fed into the market mechanism.”<sup>68</sup> Thus, the public uses the political machinery to make the economy respond to a demand which the economy ordinarily would have ignored.

Nevertheless, it is clear that the regulatory situation has become dangerous. Excessive or ill-conceived regulation is eroding productivity just when, with the prospect of slower growth rates and increased foreign competition, enhanced productivity and better management of resources are necessary. Regulatory reform, of course, has become a staple of every good political speech, and at least three Administrations have committed themselves to achieving regulatory reasonableness.

The regulatory quagmire, however, was not created by one section of society nor will it be eradicated by one section. Federal regulatory legislation is the product of (1) business activities which give rise to the need for order, justice, or restraint, (2) congressional legislation which, in an attempt to bring order, justice, or constraint, mandates all regulation, and (3) regulatory agencies which convert laws into operating rules. Any intelligent remedy to the current regulatory impasse must include both self-examination and self-restraint by all three of these sectors.

Beyond the question of existing regulation stands the issue of national economic planning. Few subjects have aroused deeper passions. Some people

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65. Weidenbaum, *Regulation or Over-Regulation*, Wall St. J., Apr. 6, 1976, at 22.

66. W. GRUBER & J. NILES, *THE NEW MANAGEMENT* 198 (1976).

67. Pub. L. No. 94-469 (1976).

68. *Government Intervention*, BUS. WEEK, Apr. 4, 1977, at 43.

view this concept as the death of freedom for America, while others see the absence of such planning as chaos.

However, increasing numbers of people, including members of the business community, see some sort of increased national economic planning as likely. Resource scarcity, endemic inflation, economic externalities, and probable slower growth rates make such planning all but inevitable. Viewed from this standpoint President Carter's energy proposal is simply part of better economic planning, and the Humphrey-Hawkins bill certainly suggests movement in this direction. As George Cabot Lodge observed, "The American state no longer seems to have any real choice between planning and not planning. It will either choose to plan well and comprehensively, or badly and haphazardly."<sup>69</sup>

The business community by and large does not distinguish between a planned economy as exists in the Socialist countries and economic planning as proposed for America. Few proponents of economic planning would urge the establishment of rigid production targets and prescribed ways to achieve them. Admittedly, some advocates foresee extended government control over wages and prices and, eventually, over dividends and profits as well. Economic planning for most of its adherents, however, constitutes the kind of planning that uses government taxation and spending powers to promote more even regional economic growth, more equitable distribution of income, and more stable international trade. This would simply move us along the road suggested by Keynes in *Democracy and Efficiency*, where he urged ". . . a system where we can act as an organized community for common purposes, and promote social and economic justice, while respecting and protecting the individual—his freedom of choice, his faith, his mind and its expression, his enterprise and his property."<sup>70</sup>

Three broad categories of consideration—corporations as an extension of government policy, the quality of federal regulation, and the degree and efficiency of economic planning—underline the centrality of the business-government relationship. Perhaps the state needs emancipation from the clutches of the corporate planning system as has been urged; it is certain that private enterprise feels it needs emancipation from the clutches of the state.

It is unlikely that major functional readjustment will be attained, however, in the present climate of antagonism. As Christopher Stone has so suitably observed:<sup>71</sup>

[W]hat is most evidently missing in our corporate/social relations today, and needs to be restored is a measure of mutual trust and respect. As things

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69. G. LODGE, *supra* note 13, at 265.

70. Keynes, *Democracy and Efficiency*, 17 *NEW STATESMAN AND NATION* 121 (1939).

71. Stone, *The Future of the Corporation: Pt. I Controlling Corporate Misconduct*, 48 *PUBLIC INTEREST*, Summer 1977, at 55, 70.

stand, we are settling into a self-defeating cycle in which the anti-corporate sentiment is increasingly shrill and ill-informed, and the corporate response is too often self-defensive, unheeding, and unconstructive.

Stone speaks to the heart of the problem: the wide divergence of outlook and purpose between those who represent the corporate planning system on the one hand and the public bureaucracy on the other. This divergence, to some extent, is inherent in the differing roles of business and government. Business is basically innovative and flexible; government is reactive and bureaucratic. Business is concerned with performance which can be measured in finite monetary terms; government addresses less finite issues of equitable solutions and social tradeoffs.

The public bureaucracy tends to be drawn from Irving Kristol's "New Class":<sup>72</sup> the intellectuals and policy professionals who populate government, academia, public interest groups, the press, and research institutes. Their world view has been shaped to a degree by their reaction to what they perceive as American inordinacy: inordinate corporate power, inordinate popular materialism, inordinate consumption of resources, inordinate use of American power overseas, etc. To them, such inordinacy is debasing and insensitive to human suffering and need. The compulsion behind this New Class is the commitment to restraint of the inordinacy of American power and profligacy in all its forms.

The world view of those in the corporate planning system, on the other hand, tends to have been shaped by the traditional American adherence to progress, economic growth, individualism, and the belief that "both human liberty and economic efficiency depend heavily on limiting the power of the state . . . ."<sup>73</sup> They see the mass communications media and academia as claiming the sole right to define the public interest, and they fear the consequences of political factors replacing market factors in America's overall economic arrangements.

These two groups represent fundamental opposites in the American political process, and the consumer, who subsidizes both groups, is caught in the middle. It is a conflict of no small consequence. Neither group will willingly yield on policy. In true Hegelian terms, the thesis of the corporate planning system is confronted by the antithesis of the New Class. The outcome of the current national discussion on regulation and economic planning will determine the synthesis which will constitute America's socio-economic structure at least until the turn of the century. A synthesis that combines social justice and private initiative will require a broad awareness of the forces America confronts in the world and a readiness to seek arrangements that satisfy unprecedented circumstances. To create the climate in which such a synthesis can

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72. See Kristol, *Business and the New Class*, Wall St. J., May 19, 1975, at 8.

73. The Business Roundtable, *supra* note 34, at 1.



evolve is surely one of the highest challenges which has faced the leadership of any generation.

The second development which suggests a new phase of the business-government relationship is the evolution of enhanced corporate capacity to evaluate the social impacts of its operations and to resolve any subsequent problems. Different aspects of this capacity have gone by various names: social responsibility, public affairs, corporate action, corporate public policy, etc.

The first sign of corporate awareness of obligations—other than economic ones—emerged in the latter part of the nineteenth century. Such corporate activity emanated from the social concern, and to a degree the Judeo-Christian paternalism, of individual entrepreneurs. Andrew Carnegie's *Wealth* in the *North American Review* of 1889 best expressed the underlying philosophy. "The problem of our age," Carnegie began, "is the proper administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship."<sup>74</sup> To Carnegie the successful businessman should be a trustee of the interests of the community at large.

Corporate social awareness further evolved in the mid-1920's when corporations, because of their increasing size, began to be perceived as social agents as well as economic instruments, and the phrase "social responsibility" was first used. In one of the classic expressions of corporate social purpose Wallace B. Donham, Dean of the Harvard Business School, wrote in the *Harvard Business Review* of 1927:<sup>75</sup>

The development, strengthening, and multiplication of socially minded businessmen is the central problem of business. Moreover, it is one of the great problems of civilization, for such men can do more than any other type to rehabilitate the ethical and social forces of the community and to create the background which is essential to a more idealistic working philosophy in the community.

In a prophetic assessment Dean Donham warned:<sup>76</sup>

Unless more of our business leaders learn to exercise their powers and responsibilities with a definitely increased sense of responsibility toward other groups in the community, unless without great lapse of time there is through the initiative of such men an important socializing of business, our civilization may well head for one of its periods of decline.

Though Donham's convictions were not shared by most of business leadership, a growing sense of social responsibility did begin to pervade the civic awareness of individual managers. The public affairs profession was developed to assist the corporation in its relationships with its public, and the concept of the corporation as a good citizen took shape. It is significant that the emergence of such social awareness coincided with the rise of mass pro-

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74. Carnegie, *Wealth*, 148 N. AM. REV. 653 (1889).

75. Donham, *The Social Significance of Business*, 5 HARV. BUS. REV. 406 (1927).

76. *Id.*

duction and mass consumption which began to transform the life of middle-class America. Conceptually, however, this social responsibility was treated as an appendage to business. It did not share centrality with the concerns of finance, marketing, and production. Its implementation depended on the degree of development of the individual manager's social sensitivity.

The present phase began emerging at the time of the urban unrest of the 1960's and has received further impetus from public concern over the environment, consumer needs, illegal payments, and a host of other issues. The central characteristic of this phase is that social concern is no longer an appendage to corporate activity. It is now central to the whole process of production and distribution. Social concerns no longer depend on the charity of the individual manager but increasingly are the policy of the chief executive officer.

The conceptual basis of this phase was well defined by Hargreaves and Dauman in *Business Survival and Social Change*. "Any organisation," they point out, "has a responsibility for planning and managing its relationships with all those involved in or affected by its activities, or with those who, in turn, can affect the ability of the organisation to operate effectively and achieve objectives." Essential to this capacity is "the anticipated, planned and managed response of an organization to social and political change."<sup>77</sup>

In the industrial sphere this development is naturally correlated with the growth that has occurred in the scientific sphere. Scientific reductionism is giving way to the concept of holism, or the awareness of the interrelatedness of all things. Further, with technological and social developments moving as rapidly as they are, the management of change, uncertainty, and an evolving future has become a principal function of the modern manager. Such management cannot be accomplished by considering only the discrete parts of the production process. It must include management of the total environment—technological, human, and social—in which the corporation functions.

The formal expression of this development came in a report issued by the Committee for Economic Development (CED). The CED report noted that the terms of the contract between society and business are changing in substantial ways and that the future of business enterprise "will depend on the quality of management's response to changing expectations of the public."<sup>78</sup> The report listed ten major areas where the corporation is responsible for its impacts on society.<sup>79</sup>

Thus, corporate public policy has come of age. Corporate public-policy activities have been outlined in many ways; one of the best outlines is offered

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77. J. HARGREAVES & J. DAUMAN, *BUSINESS SURVIVAL AND SOCIAL CHANGE* 21 (1975).

78. COMMITTEE FOR ECONOMIC DEVELOPMENT, *SOCIAL RESPONSIBILITIES OF BUSINESS CORPORATIONS* 16 (1971).

79. *Id.* at 37-40.

by Hargreaves and Dauman.<sup>80</sup> One type of corporate activity, they suggest, should include traditional economic functions—those pursuits which are guided primarily by the dictates of the private market. The fundamental mission of any corporation clearly is to satisfy a customer need and, in doing so, to create wealth by providing jobs for the corporation's workers and an adequate return on investment for its shareholders. In this context profit becomes a measurement of the success of a corporation in fulfilling its mission. Inherent in fulfilling the corporation's economic function is the requirement to adhere to fundamental societal laws and customs in its dealings with customers, employees, suppliers, and investors. This includes an obligation to produce quality products at fair prices.

A second group of activities are described by Hargreaves and Dauman as "organizational responsibilities."<sup>81</sup> The objective of these actions is to increase individual capacity and fulfillment and to minimize the negative impacts of organizational activities. Such actions include the assurance of equal job opportunity and advancement, optimal working conditions, and new patterns of corporate decisionmaking. They extend as well to concern for the environment and resources; to adequate consideration of the secondary impacts of products, evolving technology, and advertising; and to general compliance with the spirit, rather than just the letter, of the law.

The third category in Hargreaves and Dauman's outline consists of societal responsibilities to contribute to a healthy external environment. This includes contributing towards those political, social, economic, and cultural needs which form the foundations on which the whole of society rests. Corporate philanthropy and participation in regional and economic development are but two examples of such contributions.

As we move from discussion of the outer boundaries of corporate public policy to assignment of responsibility to particular firms, we encounter broader practical and philosophical problems. Who, after all, determines the priority of society's needs or says how the corporation should respond to them?

The genius of America is that we employ a combination of the marketplace and the political process to determine what need or combination of needs deserves preference. Through the political process the public may decide that its common interest requires a cleaner environment, a safer workplace, or more jobs. To meet these objectives the public, through government, develops incentives and constraints.

Through the marketplace businessmen can implement their own individual judgments regarding public needs and what may legitimately be required from them. For any given company, therefore, public policy will be defined in part by government legislation and in part by the collective judgments of each of the corporation's participants.

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80. See J. HARGREAVES & J. DAUMAN, *supra* note 77, at 15-23.

81. *Id.* at 15-23.

Take for instance what might be described as corporate environmental ethics. Corporations must adhere to numerous laws protecting the environment. A company could comply with the letter of environmental laws, thus assuming what might be described as a conservative stance. But a company could also take a progressive stance by going beyond the letter of the law to take a lead in implementing the underlying intent and spirit of environmental legislation. The heart of such a progressive stance would be a commitment to environmental quality through voluntary action. It might include adoption as an integral part of a corporate research and development program of a system of environmental or technological assessments of the impact of new products and production technologies on the community. It could mean promulgating an environmental code of ethics which goes beyond the narrow limits of the law.

The starting point for a corporation's public-policy initiative is top management's decision to act, to take the lead. Much pain and expense would be avoided if the public interest were to be consulted at the conception of a manufacturing process rather than, as so frequently happens, after problems have been thrust on management by accumulated public resentments.

Having decided to address public-policy concerns, the corporation must next commit staff and financial resources to the professional implementation of clearly defined objectives. To achieve this end, approximately six hundred companies currently direct some form of public-affairs program. Such programs range from crude image-building efforts to serious and effective attempts that anticipate the emergence of critical social and economic issues and formulate public-policy alternatives. Some of the larger corporations have established sophisticated mechanisms to track and manage the various stages of development of up to two hundred public-policy issues. The *Harvard Business Review* recently published a list of thirty-five major corporations which have public-policy or public-responsibility committees at the board level.<sup>82</sup> A company like Cummins Engine has a corporate action division, while the Bank of America maintains a social-policy department directed by a senior vice-president. Other corporations are establishing periodic public- and social-policy objectives as an integral part of their long-range economic and growth goals. Such objectives are usually related to the economic functions of the company or to the particular problems of its residential communities. Thus Xerox Corporation provides employees one year's paid leave to engage in any socially significant activity of their own choosing<sup>83</sup>, and IBM lends experienced executives to municipalities to help solve problems, or to universities to teach for a year.<sup>84</sup>

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82. *Public Responsibility Committees of the Board*, 55 HARV. BUS. REV., May-June 1977, at 40, 60.

83. THE HANDBOOK OF CORPORATE SOCIAL RESPONSIBILITY 229 (Human Resources Network 2d ed. 1975).

84. *Id.* at 221.

Such examples, however, are exceptions rather than the norm. The majority of major corporations in America are still unorganized to respond adequately to public-policy concerns.

The charge heard from some corporate executives that discharge of public-policy responsibilities reduces profits and antagonizes stockholders has thus far had little substantiation. Studies comparing economic performance and discharge of public-policy responsibilities lead to the conclusion that "there is evidence that, in general, the responsively managed firm will enjoy better economic performance."<sup>85</sup> While undertaking public-policy responsibilities is not a causal factor in better economic performance, it "is a signal of the presence of a style of management that extends broadly across the entire business function and leads to more profitable operation."<sup>86</sup> It is an indication of a forward-looking posture in dealing with a multivectorred changing environment.

#### CONCLUSION

We have discussed a few of the responses of large corporations to the new social environment in which they operate. We have considered some—and only some—of the issues corporations are facing. We have talked of these issues in general terms and we have not offered definitive prescriptions.

A further question remains.

New stages of growth require new definitions of human or institutional relationships. One requirement of the internalization of growth is a greater consensus about the ultimate ends of social policy. When growth is predominantly external, growth itself is the primary purpose, and the public discussion focuses on the means or character of growth. When growth becomes internalized, it ceases to be the primary end by itself. Thus, a new consideration of what constitutes the desired ends of social policy is required.

Yet one of the primary characteristics of the present-day social environment is the absence of any widely shared definition of the public good. While we confront common problems of unprecedented proportions, there is no commonly held social philosophy underpinning our approach to these problems. Since we have not defined the common good, since we have not agreed upon our mutual interests, we tend to concentrate on personal or sectional agendas.

Nor are our traditional political philosophies giving satisfactory aid and support. Conservatism suggests that our present social disarray is caused by a retreat from ultimate truths. While there is a growing fiscal conservatism in

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85. Sturdivant & Ginter, *Corporate Social Responsiveness*, CAL. MANAGEMENT REV., Spring 1977, at 38.

86. Bowman & Haire, *Strategic Posture Toward Corporate Social Responsibility*, CAL. MANAGEMENT REV., Winter 1975, at 49, 54.

the country, conservatism itself seems to lack an informing philosophy or vision for the future.

Traditional liberalism seems unable to hold a cohesive conviction in the face of increasing political demands and cultural disintegration. Liberalism can only succeed where there is a measure of self-restraint and the temper of the times, both culturally and politically, is towards unfettered self-expression and gain.

Two of the most obvious results of this circumstance are the accelerating disinclination of the public to participate in the electoral process and the rise of organized sectional interest groups which have stepped in to pick up the slack left by political parties which have lost ideological clarity.

Clear political definition may be a problem for the political parties. A concept of the public good, however, is a problem for us all. For when there is no concept of the public good, no public philosophy which commands the adherence of a substantial portion of our people, then social arrangements disintegrate into a power struggle for material resources, and the idea of nationhood is tragically undercut.

Some in the corporate world claim it is the responsibility of the total society to define public philosophy. The majority of Americans, however, would agree with Clarence Walton, who expressed what one hopes is a growing business view in suggesting that "greater economic power is paralleled by greater moral responsibility."<sup>87</sup>

A renewed public philosophy might start with a fresh expression of the basic elements embodied in the heritage of Western experience. For regardless of the changes taking place, the future must be built on the best of the past. Such an expression should address the fundamental issues of the individual: his rights, responsibilities, and relationship to the community and the state. It should consider the rise of giant institutions and the relationship of these institutions to both government and the individual. It should further consider what ethical values must be commonly accepted if we are to advance towards more harmonious associations.

A renewed public philosophy must address the questions of a new balance between equality and liberty, private fulfillment and public need, equity and efficiency. Such an articulation would suggest "how to find common purposes, yet retain individual means of fulfilling them; and how to define individual (and group) needs and find common means of meeting them."<sup>88</sup> Above all, a new public philosophy must consider the evolutionary changes occurring worldwide; what America's world role should be in light of such developments; and what the government-business relationship ought to be in order to achieve new long-term goals.

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87. Walton, *Overview*, in *THE ETHICS OF CORPORATE CONDUCT* 1, at 7 (C. Walton ed. 1977).

88. D. BELL, *THE CULTURAL CONTRADICTION OF CAPITALISM* 279 (1976).

Critics of corporate America might argue that to expect American business to attempt the expression of such a public philosophy is the triumph of hope over experience. Possibly. But to expect resolution of the seemingly intractable problems facing America in the next decades without a broad-based commitment to some agreed-upon expression of the common good is a fatal illusion. The delay and difficulty of formulating a national energy policy and in resolving the recent coal strike highlight only too painfully this point.

For decades American business has been on the leading edge of social advance. It has generated a wealth which, when taken as a whole, has satisfied the basic material needs of its people. When one views the centuries-old struggle of mankind for sufficiency, this achievement is one of history's greatest triumphs. It is now time for American business, building on this record of achievement, to exert even greater leadership—to articulate for America a new public philosophy as the foundation for the public-private enterprise of the future.