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Corporate Responsibility: Reasons, Principles and Rationality

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**Introduction**

In this paper I develop a series of arguments that can provide a route into an ethical analysis of the activities of business, and in particular the responsibilities of firms. Each of the arguments is currently under development and the subject of research. There are of course other ways to address business ethics. This paper considers how an ethical analysis of business activity might work.

**Reasons for acting**

I start with a general observation: we can see firms taking actions and we can see the wide range of outcomes that result from these actions; we can also see firms offering reasons of one kind or another for these actions.

On this basis we can make the following general claim: firms, and the individuals within them, have *reasons for acting*. It may be argued that it is only possible for *individual persons* to have reasons for acting. In this discussion I assume that it at least *makes sense* to talk about *firms* having reasons for acting.

In general, it also makes sense to describe at least some actions as right or wrong and at least some outcomes of these actions as good or bad, including for the agent. This suggests that actions and outcomes have some *ethical significance* and that reasons for acting are, to this extent at least, *ethical reasons.*

Providing a reason for acting suggests that the agent has *some* responsibility for the action itself and for the outcomes of the action.

These claims suggest that we can get an analysis of the responsibilities of firms going by analysing a firm’s reasons for acting.

It may be argued that an analysis of a firm’s reasons for acting is primarily an analysis of *rational* rather than ethical reasons.

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2 Derek Parfit suggests something like this approach in *Reasons and Persons*, ‘My central concepts are few. We have *reasons for acting*. We *ought* to act in certain ways, and some ways of acting are *morally wrong*. Some outcomes are *good* and *bad*, in a sense that has moral relevance….’, Derek Parfit, *Reasons and Persons*, Oxford, 1984, p. ix
To consider this argument it may be useful to set out some working definitions of *ethical significance* and *rationality*.

*Rationality* may be described as the capacity of an agent to determine which actions are required to achieve an outcome. In some cases this includes the capacity to determine the most efficient and effective actions required. Rationality may also describe the nature of outcomes and may suggest that these outcomes are based on the rational interests of the agent.

*Ethical significance* may be described as the *harm* and *benefit* that results from these actions and outcomes. The ideas of harm and benefit may be informed by moral intuitions, ideas of value and conceptions of the good.

These working definitions, in common with most definitions in ethics, are only partially adequate and potentially controversial, but I suggest that they are useful for this discussion.

Some reasons for acting appeal directly to ideas about ethical significance and may be described as *ethical* reasons in a fairly straightforward manner. However, we may be able to discern some ethical significance in all or most actions and outcomes even if these actions and outcomes are not described using ethical ideas and ethical language. This *wide or inclusive* view of ethical significance suggests that *all* reasons for acting may to this extent be described as both rational and ethical reasons.

**Bounded social activities**

We can make a further claim: the firm may be described as a bounded social activity. The firm is a *social activity* in the sense that it involves a more or less coordinated set of actions by a group of people. It is *bounded* in the sense that only certain actions and outcomes may count as the actions and outcomes of the firm.

The firm may be just one kind of social activity. Other social activities may be described by various organisational arrangements. Bounded social activities can be further grouped into at least two further categories: communities and jurisdictions.

The idea *communities* is useful because it can refer to a wide range of informal groupings at national, sub-national and supra-national levels. The idea of *jurisdictions* is useful because it includes the legal arrangements that form part of the boundary of social activities. The people who make up these various groupings can, in general, be described as *citizens* of jurisdictions and *members* of one or more community or other social activity.

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3 This may be part of what Sabina Lovibond means in *Ethical Formation*. As part of a wider argument she talks about, ‘….that feeling for ethical ‘significance’ which enables us to detect, or invent, ethical uses for bits of language not marked as ethical by any special vocabulary’, Sabina Lovibond, *Ethical Formation*, Harvard, 2002, pp. 46-47
The firm’s reasons for acting suggest responsibility for actions and outcomes within a boundary. We can describe this boundary as reflecting a view of the firm as a particular social activity within given communities and jurisdictions.

Value creation and four dimensions of value

In general the purpose of any bounded social activity can be described as the creation of certain goods. One way of describing the goods created by firms is through the idea of value creation.

The firm may be described as a centre of value creation. The actions of firms produce a range of outcomes. One group of outcomes is the products of the firm. The value created by the firm can be measured by the value created by these products. The actions of the firm are, in general, organised by the attempt to create value through products as one group of outcomes.

We can describe the firm as a complex social activity that produces outcomes that are wider than its products. The full value created by the firm may be the value created by all the firm’s actions and outcomes, and may be positive or negative. The final value will depend on both the way in which the outcomes are measured and the range of outcomes that are included in this measurement.

One characteristic of the firm as a bounded social activity is to limit the definition of value creation to the products of the firm.

In general each firm will claim responsibility for the outcomes that fall within the boundary of the firm. Differences in views about the boundary of the firm, and changes to these boundaries, will suggest differences in claims about responsibility for the actions and outcomes of the firm. The reasons for acting provided by firms will be informed by a view about the boundary of the firm. Each firm will appeal to multiple reasons for acting. However, these reasons will be based on at least two principles.

The first principle is legality. Legal rules will provide a formal basis for setting the boundary of the firm and define prohibited, permitted and required actions and outcomes. Legal rules will also define both the boundary of the firm itself and the firm’s relationship to other firms, other social activities and individual citizens.

The second principle is making a financial return. In general a minimum financial return will enable the firm to meet its financial obligations for example to shareholders, creditors and employees. This will enable the firm to survive.

We can describe a market as a situation in which the legal relationships between firms create the possibility for competition to make a financial return. This will create competition both for making a minimum financial return and also opportunities for maximising a financial return. This will enable the firm to flourish. A competitive
relationship between firms may further support and define the boundaries between firms as social activities.

The principles of *legality* and *financial return* may define the boundary of the firm. Other boundaries may be possible based on further principles. In addition the position of the boundaries may change as the content of these principles change.

Within the boundary of the firm we may describe the value created as *narrow financial value*. This is *financial value* because it is measured by making a financial return within the limits of legality. It is *narrow* financial value because it is the value created by the products of the firm as one group of outcomes of the firm’s activities.

We can represent a range of possible boundaries and dimensions of value creation diagrammatically. Figure 1 suggests four boundaries and four dimensions of value. Other boundaries and dimensions of value may be possible.

**Figure 1: Boundaries, four dimensions of value and a minimal-maximal spectrum of corporate responsibility**

The boundary of the firm as a social activity and the dimensions of value creation will suggest a range of claims about the *responsibility* for the actions and outcomes of the
firm. We can describe these as a spectrum from minimal to maximal claims about corporate responsibility. This spectrum is represented in Figure 1.

The nature and implications of the dimensions of value and the boundaries described in Figure 1 can be explored further. For this discussion I will focus on an analysis of the principles that may set the boundary of the firm.

**Boundaries, principles and responsibilities**

We can describe the principle of legality as L and the principle of making a financial return as F. Boundary A suggests that the social activity of the firm is bounded by an appeal to L and F.

It may be possible to identify a spectrum of appeals to F within Boundary A. We have discussed the ideas of survival and flourishing. It may also be possible to identify a spectrum of appeals to L for example, a range of appeals from minimal to full adherence to legality. However, this is more problematic because of the relative formality of L as a principle. The non-legal principle of the rule of law may not allow for any significant interpretation of L within the social activity of the firm.

It may be necessary to prioritise L and F. L may be the dominant principle and provide an overall basis for all reasons for acting including F. F provides the basis for reasons for acting within the requirements of L. The relative informality of F allows for a wider range of reasons for acting for example along a spectrum from survival to flourishing.

L and F provide a basis for the analysis of reasons for acting in cases where these reasons do not initially appear to be based on L or F. For example, a firm may appeal to a reason based on the non-financial benefits of an outcome. However, this reason may itself be based on F, for example through an appeal to a particular customer preference for this outcome. The reason for acting to produce the outcome is then explained by F rather than by a reason in addition to F.

There may be cases where a firm’s reasons for acting are not exhausted by an appeal to L and F. Since L and F refer, in part, to the firm’s responsibilities we can identify a further principle: extended responsibility or ER. ER is a bundle of principles and includes specific principles involving views about for example human rights, working conditions, environmental protection, poverty reduction or the creation or promotion of a range of specific goods. These principles may form the basis for a range of social activities including the firm as a social activity.

ER may provide one explanation for the intentions of the agents who originally establish a particular firm. If we describe the firm as a social activity it is possible to see the intended purpose of the firm as based on a variety of goods. This intention may become

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4 An earlier version of these ideas with further detail is included in the paper, ‘What are firms responsible for? CSR, value creation and public scrutiny’, Oxford-Achilles Working Group on Corporate Responsibility, Said Business School, University of Oxford, December, 2007
subordinate to L and F once the firm is launched into the legal and financial context of the market. The firm then becomes a bounded social activity with L and F as the principles that determine the boundary.

There may be cases where a firm appeals to ER as a basis for its current activities within L and F. One example of a principle within ER is an appeal to a minimum level of human rights (HR) for employees and possibly for communities within which the firm operates. In some cases HR may be a significant principle but remain subordinate to L and F.

Where HR is not subordinate to L and F it will be necessary to prioritise the three principles. In the case of HR, one option is to consider HR as analogous to L. HR involves a series of reasons for acting in a form that is similar to legal reasons for acting. This may not be the case for other principles within ER.

One example of the relationship between L, F and HR is as follows:

1. Establish ER as a principle in addition to L and F
2. Establish HR as a principle within the bundle of principles that make up ER
3. Appeal to institutional or authoritative sources of HR claims
4. Establish HR claims that are relevant to the firm
5. Establish prioritisation and balancing criteria for L, F and HR. This could be analogous to L. For example: the firm may appeal to L; then to HR; then to F

The L, HR, F sequence suggests that HR is appealed to prior to F. In this example HR is a dominant principle with regard to F. So, in establishing reasons for acting: L is the primary principle; followed by HR; followed by F.

The firm is likely to have access to established sources for understanding and analysing the content of L and F. In the case of ER principles such as HR the firm may appeal to formal and informal institutions for advice on the content of these principles. For example, the United Nations may provide a global institutional basis for HR. Informal civil society institutions may provide a non-governmental and independent institutional basis for HR, although such institutions may be controversial.

The L, HR, F sequence may be applied to other ER principles. In these cases this may reflect the relative the formality of L compared to F. This suggests that there may be a degree of choice about the appeal to, and application of, F.

In the analysis of L, F and ER we may also make a distinction between internal and external reasons for acting. For example, L and F may form the internal basis for the firm’s reasons for acting. We may make a distinction between an internal view and an external view of the firm’s activities. The internal reasons for acting may not provide a sufficient justification for agents outside of the firm.

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5 One example of a Report that considers these issues is: Office of the United Nations High Commissioner for Human Rights, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie, 22 April 2009
One group of agents outside of the boundary of the firm may be described as stakeholders. Stakeholders may be reflected in Boundaries B or C in Figure 1. A wider definition of agents outside of the boundary of the firm may include citizens of jurisdictions within which the firm operates or citizens across all jurisdictions. This may be reflected in Boundaries C or D.

In some cases an external view of a firm’s activities reflects similar principles to those contained in ER, for example HR. We have discussed the possibility that ER may provide the basis for further internal reasons for acting. This discussion suggests that in some cases there may be a difference between the internal and external view of the firm’s reasons for acting. This may inform the debate about corporate responsibility.

One view of the firm suggests that L and F provide internal reasons for acting that are sufficient to provide a full justification for the actions and outcomes of the firm. This may be based on the ethical significance of these actions and outcomes informed by an empirical account of the how L and F affect these actions and outcomes. This suggests Boundary A as the boundary of the firm as a social activity.

On this view, external reasons that appeal to ER may inform L or F for example through the debate about public policy in the case of L or through customer and investor preferences in the case of F. These reasons may change the position of Boundary A but not the view that Boundary A forms the boundary of the firm as a social activity.

**Public and private reason**

The discussion of internal and external reasons suggests a distinction between public and private reason.

One proposed description of public reason is as follows: public reason is the reasoning of citizens about the good of society and matters of fundamental justice, which draws on a society’s more or less understood, although contested, principles of justice, and is conducted in public and open to view. This is adapted from a view of public reason developed by John Rawls.6

One view of the firm’s reasons for acting is that these are private reasons. This suggests a further characteristic of the boundary of the firm shown in Figure 1: Boundary A marks a distinction between a private social activity and the public social activities that surround it.

In general the area outside of Boundary A may be described as a public space. Boundaries B, C and D may suggest the various dimensions of this public space. The

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6 For example John Rawls suggest that, ‘Public reason, then, is public in three ways: as the reason of citizens as such, it is the reason of the public; its subject is the good of the public and matters of fundamental justice; and its nature and content is public, being given by ideals and principles expressed by society’s conception of political justice, and conducted open to view on that basis’, John Rawls, *Political Liberalism*, Columbia, 1996, p. 213
appeal to internal reasons based on L and F may then be described as an appeal within private reason.

This suggests that a firm’s reasons for acting are private reasons made as justifications for actions and outcomes within the public space but are not themselves subject to public reason. L and F are established within the public space and are subject to public reason but, once established, form the boundary of the firm. The firm’s reasons for acting appeal to L and F.

External reasons may then part of public reasoning about L and F. On this view ER is not a principle that informs the internal private reasons of the firm.

A different view of a firm’s reasons for acting is that these are reasons within the public space and are subject to public reason. On this view the boundary of the firm is open to external reasons. ER may then become part of a firm’s reasons for acting and form part of the prioritisation of principles.

The former view suggests that an ethical analysis of business comprises an analysis of aspects of L and F within the firm and of ER outside of the firm. The analysis of ER is part of public reasoning about the content of L and F. This suggests a minimal view of corporate responsibility, as described in Figure 1.

The latter view suggests that an ethical analysis of business involves aspects of ER as internal reasons for the firm. This suggests a maximal view of corporate responsibility, as described in Figure 1.

If we accept some definition of public reason then it is likely that the actions and outcomes of firms will form part of public reasoning. A more limited of public reason may support the view that while L and F as principles are subject to public reasoning, the firm itself is a private social activity and subject to private reason. A wider view of public reason may suggest that the firm’s internal reasons for acting are also subject to public reasoning.7

The idea of public reason may be applied to a single jurisdiction. It may also be applied to the global community of jurisdictions. We could call this global public reason.

If we follow the same approach as above one attempt to describe global public is as follows. Global public reason is the reasoning of citizens across jurisdictions, about the good of global society and matters of fundamental global justice, which draws on more or less universal, although contested, principles of justice, and is conducted in public and open to view.

7 A wider idea of public reason may be what Amartya Sen’s has in mind in The Idea of Justice. Sen talks about, ‘The crucial role of public reasoning in the practice of democracy’ and that, ‘If the demands of justice can be assessed only with the help of public reasoning, and if public reasoning is constitutively related to the idea of democracy, then there is an intimate connection between justice and democracy, with shared discursive features’, Amartya Sen, The Idea of Justice, Allen Lane, 2009, p. 326
The idea of public reason is problematic. The idea of global public reason raises even greater problems and any idea of global public reason is emergent rather than settled. I suggest that we can use this provisional description to extend the analysis of a firm's reasons for acting into a global context.

**Global public reason and global responsibilities: legality**

Principles L and F may set the boundary of the firm. This is described as Boundary A in Figure 1. The content of L and F may be different across jurisdictions.

We can first consider L. One idea of a jurisdiction suggests a society of people bound by the rule of law. The idea of the rule of law provides the widest justification for all reasons within L, and for L itself as a principle.

The boundary of the firm may initially be established by L within the jurisdiction from which the firm originates. However, the boundary may be established in different positions across the multiple global jurisdictions in which the firm operates. The idea of the firm’s operations may be too restrictive: we may need to consider the position of the boundary across all jurisdictions that are affected by the actions and outcomes of the firm.

We can describe L for the jurisdiction from which the firm originates as local legality (LL). We can describe L for all of the multiple jurisdictions within which the firm operates as multiple legality (ML). ML will refer to a group of jurisdictions each with an associated LL.

Where the firm appeals to LL it may exceed or fall short of the requirements of ML in some cases, depending in the content of ML for each jurisdiction. Falling short of ML may be more critical, although exceeding ML may have significant implications for F. If we define L as meeting minimal legal requirements, then both exceeding and falling short of ML involves the firm failing to appeal to this minimal view of L as the basis for the firm’s reasons for acting.

The idea of public reason may be useful here. A limited view of public reason suggests that the firm is subject to private reasoning within LL. However, from the point of view of ML, the firm’s reasons for acting may be subject to global public reason. In general firms may be subject to aspects of global public reason when the firm’s actions and outcomes affect multiple jurisdictions. The content of global public reason may include aspects of ER.

One view of the situation of the global firm is as follows: the firm appeals to L within the jurisdiction from which it operates. Within this jurisdiction it may be argued that the firm’s reasons for acting are private reasons and not subject to public reason. However, we may now describe L more precisely as LL. The firm’s reasons for acting may now appeal to ML rather than LL, if it is to continue to appeal to L in general. The requirement to appeal to ML is not a formal requirement within LL, nor is it directly a
requirement within any aspect of ML. We could argue that this requirement is an aspect of global public reason. On this view, the firm is now subject to global public reason.

The appeal to ML within global public reason is then analogous to the appeal to LL, or simply L from the point of view of a single jurisdiction. The firm’s reasons for acting will now be more complex.

The requirement to appeal to ML as a principle is also analogous to the argument based on the rule of law that establishes the requirement to appeal to L. It may be argued that this requirement is itself based in global public reason.

The content of global public reason may include ER or one of the principles within ER. As a bundle of principles aspects of ER may be included within L for some jurisdictions. There may also be principles within ER that are not included in ML. This is similar to the situation of ER within a particular jurisdiction. This suggests that, in this case, ER is outside of L, LL and ML but within an idea of global public reason.

In the analysis of the prioritization of L, F and ER we used human rights (HR) as an example. We suggested that HR may have a similar form to L. The idea of HR across jurisdictions is informed by an idea of universal human rights. This suggests that the ethical significance of HR supports HR as a principle that informs all reasons for acting, including the firm’s reasons for acting.

This view of HR may be seen as part of an argument about the ethical significance of the outcomes of global public reasoning. A significant implication of this argument may be the establishment of a global rule of law supported by institutions of investigation, adjudication and enforcement. This may operate in parallel with or, in some cases, supersede L, LL and ML.

The boundary of the firm may then be defined, in part, by a combination of L (or LL) within a jurisdiction, ML across all jurisdictions within global public reason, and by a principle of universal legality (UL).

UL may be preceded by transitional agreements between jurisdictions and across regions, as well as by claims within global public reason that anticipate UL. Some of these agreements and claims may already be in place.

The argument about UL is subject to significant empirical and ethical debate and disagreement. It is important to note here that I am not an expert in the legal arguments involved; this is an attempt to consider these issues as part of an analysis of the responsibilities of business.

If a firm’s reasons for acting are currently informed by aspects of HR, this may be an example of a firm both responding to global public reason in this area of ER and anticipating potential changes to LL, ML and UL.
Global public reason and global responsibilities: financial return

The analysis of L is the analysis of a relatively formal principle; F is a relatively informal principle.

In the prioritisation of L and F it may be argued that L is the dominant principle and that F is the subordinate principle. The firm appeals to L as the basis for all reasons for acting. Within the boundary established by L the firm then appeals to F. L and F taken together establish the final boundary of the firm. This is Boundary A in Figure 1.

This becomes more complex when we consider the prioritisation of LL, ML and F. In general, it may be argued that the prioritisation remains as follows: the firm appeals to LL, ML or possibly some version of UL; the firm then appeals to F within the boundary or boundaries set by these versions of L.

The prioritisation of L and F is based, in part, on the relative formality of L. The relative formality may be based on the ethical significance of the two principles: the firm acting within the rule of law (that underpins L) is based on a stronger evaluation of ethical significance than the firm either surviving or flourishing (that underpins F).

This clear prioritisation assumes the relative independence of L and F. The prioritization becomes more complex if we consider how each principle is informed by and affects the other.

In general we may argue that the content of L is shaped, in part, by claims based on the ethical and empirical analysis of the effectiveness of F. This suggests that F should become a principle that sets the boundary of the firm as a social activity. L is then informed by an analysis of F and creates the conditions within which F may apply. The combination of L and F sets the boundary of the firm. L is then formal at a given point in time: the content of L may have been informed by F in the past, and may be amended as F changes over time.

It may be argued that some other principle could be adopted to set the boundary of the firm. However, it may be argued that the ethical and empirical analysis of F suggests that F supports the greatest balance of benefit over harm. This is in part an analysis of the outcomes of a firm's activities but may also take into account the actions of firms and the affect of these actions on agents within the firm. One version of this analysis may appeal to claims about human nature and human communities: in particular that F is consistent with empirical claims about self-interest and the balance of cooperation and competition within human nature and within human communities.

The argument for some other principle, such as HR, may have to demonstrate a greater balance of benefit over harm. The comparison of F and HR involves the empirical and ethical analysis of both principles. The empirical analysis is complex. However the ethical analysis may be even more complex if F and HR involve views about ethical significance that are incommensurable.
The empirical analysis of F may suggest that there is a different balance of harm and benefit across jurisdictions. One example of a difference may be based on claims about poverty within a particular jurisdiction. The analysis if complex and will include issues such as the causal role of F in creating or reducing poverty.\(^8\)

In this case the empirical and ethical analysis of F may not result in assent from the all jurisdictions, including those that are subject to poverty in this analysis. This suggests that F may not be a universal principle.

We may describe this in an analogous way to the analysis of L. In the case of L we distinguished between LL and ML and the possibility of UL.

We may now need to distinguish between the following principles: financial return (F); local financial return (LF); financial return across multiple jurisdictions, multiple financial return (MF); and the possibility of financial return across all jurisdictions combined, universal financial return (UF).

If F is not accepted, or is accepted in different forms across jurisdictions, this suggests that a further principle may be appealed to and, in part, sets the boundary of the firm. We briefly discussed HR above. A further option could be a principle that reflects the ethical significance of poverty. We can call this principle capability (C), as this may be part of a general human capabilities approach.\(^9\)

C may inform a firm’s reasons for acting in a similar way to L and F: the firm’s reasons for acting now appeal to a view of human capabilities.

One option would be for the various claims under C to be incorporated into L, in particular a form of UL. This may be analogous to a single jurisdiction that includes capabilities as part of redistributive and welfare arrangements. These elements of C form part of the boundary of the firm through L.

Another option would be for C to replace or complement F as an additional principle that sets the boundary of the firm. For example, the firm may have direct responsibility to act on the basis of C. This will require a prioritization of L, F and C using a similar approach to that discussed above.

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\(^8\) This may be the kind of analysis that Thomas Pogge has in mind when he argues that poverty is a ‘catastrophe’ that, ‘was and is happening, foreseeable, under a global institutional order designed for the benefit of the affluent countries’ governments, corporations and citizens and of the poor countries’ military elites’, Thomas Pogge, Politics as Usual, Polity Press, 2010, p. 50. The conclusions of this analysis may be debated, and are likely to the controversial, but Pogge’s arguments suggest one way in which an analysis could proceed.

\(^9\) For example Martha Nussbaum suggests that one of ‘Ten Principles for a Global Structure’ includes the following, ‘Multinational corporations have responsibilities for promoting human capabilities in the regions in which they operate’, Martha C. Nussbaum, Beyond the Social Contract: Capabilities and Global Justice, in Oxford Development Studies, Vol. 32, No 1, March 2004, p. 16.
One result of prioritization may suggest the following ordering: L, C, F. In this case, the
global firm may then be described as in the following situation: the firm appeals to a
version of L (including LL, ML and UL); it then appeals to C, for example with a direct
responsibility to reduce poverty; it then appeals to F.

This prioritization is based on the argument that the ethical and empirical analysis of F
does not support the greatest balance of benefit considered globally. This prioritization
suggests changes to the boundary of the firm and to the arrangements within the firm that
are designed to operate within L and to support and promote F. The social activity of the
firm would then have a boundary that is similar in some respects to that of other social
activities, such as development NGOs with boundaries set by, in part, L and C. This may
be considered a fundamental change to the nature of the social activity of the firm.

This view assumes a simple L, C, F prioritization. However, other more complex
arrangements are possible. For example the principle of a financial return for survival
may be retained as a dominant principle. The firm may then prioritise as follows: L,
F(survival), C, F(flourish). This suggests that the firm supports elements of C before it
seeks to flourish through maximising a financial return.

As another option the firm may appeal to C in those jurisdictions where this principle is
not addressed by other social activities. So, for a jurisdiction with low levels of poverty
the prioritization may be: L, F, C, or may not include C. For a jurisdiction with high
levels of poverty the prioritization may be as above: L, F(survival), C, F(flourish). This
would have an impact on the firm’s maximisation of F overall but may also accommodate
C.

The debate about whether C should be a principle that sets the boundary of the firm, and
the debate about the prioritisation of L, F and C, can be described as a debate in global
public reason. This debate is based, in part, on the ethical and empirical analysis of the
effectiveness of F. This is likely to inform both the idea of C as a principle and the
content of L (including LL, LG and possibly UL). C may also affect firms prior to any
incorporation into L. In this case we may argue that firms are subject to this element of
global public reason.

**Reasons and rationality**

We have suggested that we can start with the claim that firms have reasons for acting; we
have also made a distinction between rationality and ethical significance.

We suggested that the principles of legality (L) and financial return (F) set, in part, the
boundary of the firm. The firm appeals to L and F as reasons for acting within this
boundary. These reasons form the basis for the actions and outcomes of the firm. We also
suggested that these can be described as internal reasons for the firm.

We can now describe the appeal to L and F as the rationality of the firm, drawing on the
working definition of rationality suggested above.
An *ethical* analysis may describe the firm as a bounded social activity and include an analysis of the *ethical significance* of L and F as principles. An ethical analysis may also describe further principles as *extended responsibilities* (ER). We suggested that ER may provide *external* reasons for the firm, although ER may *also* provide internal reasons for the firm.

The current debate about the *responsibilities* of firms provides an application of these ideas. This debate *appears* to involve two ways of describing the firm’s responsibilities, reflecting an internal or external analysis of the firm’s activities.

We will refer to the first description as ‘*CSR*’ (*Corporate Social Responsibility*) as this is seen from *within* the firm as a *business* issue. We will refer to the second description using the wider idea of ‘*corporate responsibility*’ as this is seen both within and *beyond* the firm as an analysis of the firm’s activities.

*CSR* describes, in part, a business activity within the boundary of the firm. Elements of CSR may inform the firm’s reasons for acting. These reasons appeal to arguments based on, for example, current and future customer or investor preferences and regulation or legislation. The firm’s reasons for acting based on an appeal to these arguments can be described as part of the *rationality* of the firm.

In some cases these rational reasons for acting will use ethical language. This language suggests interesting dimensions of, and changes to, for example the preferences of customers or investors and regulation or legislation. These may be described as *ethical facts* for the firm and may inform the firm’s reasons for acting as part of the content of principles L and F.

*Corporate responsibility*, on the other hand, describes an analysis of the actions and outcomes that the firm may be responsible for both within and beyond the boundary of the firm. This analysis may also inform the firm’s reasons for acting as *ethical reasons*.

The use of ethical language in both cases suggests that these analyses intersect. This may also create some confusion about the meaning of this language.

We can see principles L and F as establishing the boundary at which rational and ethical reasons intersect. Inside the boundary of the firm, set by L and F, the firm appeals to rational reasons for acting. Outside of the boundary the firm’s rational reasons may give way to ethical reasons.

It is important to note that the ideas of ‘inside’ and ‘outside’ the boundary of the firm are in part a result of the *diagrammatic* representation of the boundary of the firm, such as Figure 1. This may not be the best way to describe the firm’s reasons for acting. Another way to describe this may use the idea of a *space of reasons* through which agents navigate. This idea will require further analysis.
We now have a picture of the firm forming reasons for acting that appeal to L and F overall. We can describe these as rational reasons for the firm. At the same time the firm may form reasons based on an appeal to ethical significance. This may include appeals to the ethical significance of L and F as principles, and may also include other appeals to ethical significance within the boundary of the firm.

We have suggested that CSR may form part of the firm’s rational reasons for acting. CSR may also suggest reasons that are not part of a firm’s rationality. The appeal to ethical significance as part of corporate responsibility may also inform the firm’s reasons for acting. This could result from a firm taking on a responsibility outside of the boundary of the firm. It could also result from a responsibility becoming part of L or F, for example through changes in customer or investor preferences and regulation or legislation. In the latter case it appears that an ethical reason has become a rational reason for the firm.

We have suggested that ethical language can describe ethical facts as they confront the firm. These ethical facts may inform rational reasons for acting. At the same time, we may discern ethical significance in reasons for acting that are not described using ethical language. The reasons may be rational reasons, but may also appeal to ethical significance.

These observations suggest that the idea of a space of reasons is a complex and overlapping mix of rational and ethical reasons.

The particular example of a distinction between CSR and corporate responsibility suggests a general distinction between rational and ethical reasons for acting.

On one view of this distinction there are two types of reasons for acting: rational and ethical. This makes sense of one aspect of our use of reasons: in many cases we seem to appeal either to ethical significance or to rational considerations.

Another view suggests that reasons for acting are a complex mix of appeals to ethical significance and rationality with limiting cases at each end of a spectrum of reasons. At one end of the spectrum these reasons make a direct appeal to ethical significance, with a minimal appeal to rationality using the working definition above. At the other end of the spectrum these reasons make a direct appeal to rationality with ethical significance embedded in this idea of rationality.

Further analysis will be required to consider whether these arguments suggest one or two types of reasons.

Both views provide possible accounts of the point at which ethical and rational reasons intersect. The former suggests a boundary between one type of reason and another. The latter suggests movement along a spectrum of reasons. We have suggested that for firms the appeal to L and F may mark the point at which ethical and rational reasons intersect.
L and F form the boundary of the *rationality* of the firm and, at the same time, L and F as *principles* involve an appeal to ethical significance.

Another way of looking at this may be as follows: the firm’s rational reasons for acting can be sustained as long as appeals to ethical significance are relatively settled. However, the appeal to rational reasons may become unsatisfactory if the ethical significance of the actions and outcomes that result from these reasons is called into question. Actions that had previously been considered rational may now raise questions about whether these actions are right or wrong. Outcomes that resulted from these actions may now raise questions about whether they are good or bad outcomes.

The *instability* of reasons for acting may result from the changing, incompatible and open ended nature of at least some aspects of ethical significance, even if other aspects of ethical significance have been agreed. It may also result from the difficulty of taking into account all the intended, unintended and foreseeable outcomes of actions over time. This instability may not be fully incorporated into the firm’s rationality.

The *stability* of reasons for acting may result from the working out over time of some aspects of ethical significance, and working out the rational actions required to meet ethically agreed outcomes. This will include L and F for the firm.

We can use the distinction between ‘CSR’ and ‘corporate responsibility’ as an example of the relationship between the stability and instability of reasons. The firm’s understanding of its responsibilities may be relatively *stable* over time. However, changes in views about the ethical significance of some of the firm’s actions and outcomes may raise questions about these responsibilities.

These questions are raised as part of *corporate responsibility*, as discussed above. Firms may respond to these questions through an analysis of the scope and limits of responsibility. CSR strategy may be seen as one outcome of this analysis. CSR then becomes part of the firm’s rational reasons for acting.

These rational reasons may not fully reflect all the concerns about the ethical significance of the firm’s actions and outcomes or may not fully capture changes in views about ethical significance over time. These concerns may suggest further analysis of the responsibilities of the firm as part of *corporate responsibility*.

**Concluding remarks**

The arguments in this paper are part of a continuing attempt to develop an ethical analysis of the activities of business, and in particular the responsibilities of firms. I hope this provides a good basis for further discussion of these issues.