

January 2012

## Structure and Agency: An Analysis of the Impact of Structure on Group Agents

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Structure and Agency: An Analysis of the Impact of Structure on Group Agents

by

Elizabeth Kaye Victor

A dissertation submitted in partial fulfillment  
of the requirements for the degree of  
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College of Arts and Sciences  
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Date of Approval:  
May 16, 2012

Keywords: Group Agency, Business Ethics, Corporate Social Responsibility, Ethics,  
Human Resource Management

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## **Dedication**

I would like to dedicate this dissertation to my father and friend, Joe. Without your encouragement, support, and fortitude I never would have found my own voice and the courage to go off the beaten path in pursuit of my dreams.

Additionally, I would like to acknowledge the educators and mentors who have had a heavy hand in shaping the course of my academic development. To Valerie Doner, my High School Debate teacher, thank you for showing me that anger in the face of the world is much better expressed through critical inquiry. To Ellen Klein, my undergraduate mentor, thank you for introducing me to Philosophy. To Rebecca Kukla, who has provided me with years of direction and friendship; this project would surely not have been possible without you at the helm. To each of my committee members, Rebecca, Steve, Colin, Bryce, Doug, and Walt, thank you for your support, your belief in me and this project, the endless conversations, and for reading countless drafts and redrafts of this project.

Finally, I would like to acknowledge my family and friends. My family's love and support, both emotionally and financially, has been immeasurable. I have been surrounded by great friends during the past five years, particularly Andrea Pitts, Emre Keskin, Michele Merritt, Pete Olen, Jeff Hinzmann, Sacha Greer, Paul Cudney, and Laura Guidry-Grimes. You all have been the source of delightful and inspiring conversations, intellectual collaborations, shoulders to cry on, tough words when I needed them, and years of fun.

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## **Abstract**

Different kinds of collectives help to coordinate between individuals and social groups to solve distribution problems, supply goods and services, and enable individuals to live fulfilling lives. Collectives, as part of the process of socialization, contribute to the normalization of behaviors, and consequently, structure our ability to be self-reflective autonomous agents. Contemporary philosophy of action models characterize collective action as the product of individuals who have the proper motivations to perform cooperative activities (bottom-up); or they begin with the social-level phenomena and explain this in terms of individual actions and the mental states that motivate them (top-down). One general goal of this project is to show how and why both of these approaches *through focusing solely on the individuals involved* fail to capture and account for important types of group actions: those of economic group agents.

Group agents, one kind of organized collective, are unique in that they have the potential to develop group-level decision-making processes that result in the capacity of the group to engage in practical reasoning. Because of this capacity, group agents can be stable and respond to reason—capacities we would not expect from other kinds of collectives. Inasmuch as we value the possibility of influencing the reflexive dynamics that perpetuate social institutions, understanding the range of organization structures and their agential capacities will open up the possibility of altering the course of those dynamics toward more just systems of organization. Understanding what kinds of group agents currently operate within the systems of organizations that make up social

institutions is the first step in determining how to move toward developing group agents that are also moral agents. By analyzing how different systems of constraint—inside and outside the firm—inform one another to influence the possibility of design and the group’s possibilities for action, I use Christian List and Philip Pettit’s account of group agency as a springboard to develop a more adequate account of how structure influences and constrains the possibilities of economic group agents in non-idealized circumstances (i.e. this world, with our history).

My chapters include 1) a taxonomy of organization structures and an analysis of how a narrow conception of organization structure in jurisprudence can lead to systems of constraint that limit the rights and freedoms of individuals even as it seeks to extend them, 2) an evaluation of the popular accounts of collective action (cf. Raimo Tuomela, 1997; Michael Bratman, 1993, 1997, 2009; and Christian List and Philip Pettit, 2011) that could be made to accommodate the actions of certain kinds of economic associations, 3) an exploration of the standards of evaluation that influence these powerful group agents, and how these standards limit the economic group agent’s capacity to engage in moral reasoning, and 4) an analysis of the group agent’s reasoning capacity and the internal mode of interaction between group agent and group members that perpetuate group agency.

I argue that we can understand group agents that have the capacity to be moral agents as the products of a particular kind of decision-making process within an organization’s structure. The decision-making process, together with the organization structure and group member support, produces and sustains judgments and actions at the level of the group that cannot be reduced to the beliefs and actions of particular members.



In this way, the group displays a systematic unity of actions based on its own judgments. That is, the group exhibits agency. Moral group agents exhibit more than practical reasoning; they also demonstrate the capacity for critical reflection upon the ends they pursue. Member buy-in promotes a tight connection between group members and their role in bringing about and sustaining group agency, and is the foundation of the group agent. Without a holistic organization structure, a member's personal identities could undermine group aims, thereby undermining group agency. Group moral agency, I argue, begins with promoting an organizational way of life conducive to collective flourishing and respect for members.

## Introduction

*Even those who aim to change the world had better first learn how to describe it.*  
–Brian Skyrms, *Evolution of the Social Contract*

Collectives and groups rely upon the actions of human persons to sustain their existence, but to what extent does the agency of the group *depend* upon the persons themselves? That is to say, to what extent can groups of persons be said to cause change in the world through actions that cannot be descriptively reduced to the actions of the set of members? How we understand collectives to act, and likewise how we understand their possibilities for action, is intimately connected to two related yet divergent sets of principles. On the one hand, our concept of collective action itself is dependent upon the metaphysical ideas underlying how we conceptualize groups, their capacity for reasoning, and their possibility to form intentions as reasons for actions. On the other hand, our understanding of collective action undergirds how the law treats collective behavior, how we think about individual and collective responsibility, and how models in disciplines such as economics, political science, and management theory explain present collective behavior and predict future collective behavior.

Historically, these two sides of the discussion have been distinguished by their focus and aim. Philosophical or theoretical accounts of group agency seeking to explain the function of groups at their most foundational level address both ontic and ontological concerns prior to moving onto practical or applied considerations. Social science accounts of group agency focus primarily on explaining how groups cause change in the

world, frequently decoupling the empirical ‘facts’ used as the basis for modeling predictions from the ontologically rich concepts that underlie the facts, and how these groups show up to us in the first place. Given the interrelations between these two sets of principles, it is my aim in this project to bring them into conversation.

A satisfactory model of group behavior should describe and predict group actions at the more abstract level of systems, not just from the perspective of some particular components (i.e. the individual persons in it). Likewise, a satisfactory metaphysical account of group agency should have the potential for practical import and should be considered the proper grounding for models that seek to measure, predict, and explain group actions. Eliminativist models, of the kind the social sciences historically use to predict collective action as if it were the result of *only* the actions of the members,<sup>1</sup> smuggle in a particular concept of agent and of group reasoning and behavior, one that assumes an individualism about the basis for group actions.

Individualism as an explanation of social behavior, while predating sociology as an independent discipline, is attributed to Max Weber for its development and popularization within the social sciences. In *Economy and Society*, Weber states that “action in the sense of subjectively understandable orientation of behavior exists only as the behavior of one or more *individual* human beings” (p. 13).<sup>2</sup> As he explains it, “for the subjective interpretation of action in sociological work these collectivities must be treated as *solely* the resultants and modes of organization of the particular acts of individual

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<sup>1</sup> Different models consider different persons to be the active agents. In firm theory, for example, some models consider stockholders to be the active agents that influence the board of directors and managers, while other models consider the managers, and to lesser extent the employees, to be autonomous active agents that function *only* for their own self-interest. For a more recent discussion of this assumption see Jensen, 2000, pp. 4-6.

<sup>2</sup> Use of Italics within quotations are original emphasis, not my own.

persons, since these alone can be treated as agents in a course of subjectively understandable action” (13). This individualism about actions also entails an internalism about the processes underlying the decisions that ground actions we track in the world.

In the social sciences, models of group behavior of particular kinds, such as economic or market group behavior, combine individualism about actions with an internalist account of motivation (rational choice theory and behaviorist economics, to name a few) as the basis for explaining and predicting future group behavior. This school of thought goes beyond merely analytic individualism, where statements about a group can be analyzed in terms of statements about individuals in the group, to ontological individualism (reductionism), which denies the possibility that groups possess a reality over and above the members. Talking about groups as the proper locus of agency and responsibility, Economic theorists argue, is simply a *façon de parler* (Coase R., 1937; Friedman, 1970; Jensen & Meckling, 1976; Velasquez, 1983; Jensen, 2000). What we really mean is that individuals in groups are the loci of agency and responsibility. Such a view is captured by Velasquez:

It may thus appear that when a corporate member acts the corporation may be said to have performed the act of the member, much as when a person’s bodily limb moves the person is said to have moved his limb. But this similarity is deceptive, because a group, unlike a body, is made up of autonomous individuals. The individuals who make up the organization are autonomous in the sense that each individual can choose not to carry out the direct bodily movements necessary to bring about the corporate act. And this autonomy is due to the fact that the body

of each member is under the direct control not of the corporation but of the individual member. (1983, p. 7)

Similarly, Jensen and Meckling argue that “the ‘behavior’ of the firm is like the behavior of the market...we seldom fall into the trap of characterizing the wheat or stock market as an individual, but we often err by thinking about organizations as if they were persons with motivations and intentions” (1976, p. 311). What this ontological individualism entails, when used as the starting point for social science models, are explanations and predictions about group actions of a behaviorist or methodological individualist form.<sup>3</sup> While these explanations may appear to be adequate, the limit of their explanatory force makes them quite problematic.

Part of the appeal of such explanations is that they avoid the perceived messiness of non-empirical metaphysics; thus, divorcing philosophy from these models is seen as a necessary step toward a more scientific (naturalistic) methodology. These explanations deliver an empty concept of group agency and in doing so they do not avoid the messiness of metaphysics. By ignoring the metaphysics, these traditions also ignore the richness of the phenomena under observation, and reduce their explanatory scope. I take it that the social science models, particularly those in the neoclassical economic tradition, do not divorce, but rather cover over the philosophical concepts grounding their theories. By bringing these concepts back into the forefront of the conversation, we can open a

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<sup>3</sup> To distinguish between these two, one could say that behaviorism believes that the best way to account for group behaviors is through appeal to an account of the behaviors of persons. By way of analogy, David Copp (1984) explains that such theories refer to the behaviors of persons in much the same way chemistry is to be explained by the laws of physics (p. 251). Predictive models that take this up are rational choice theory and behavioral economics. Methodological individualism weakens this position and holds that the best way to construct explanations of collective phenomena is through appealing to the psychological states of individuals. Two traditional schools of economics, which developed their models off methodological individualist foundations, are governance economics and the Chicago School theorists, such as Frank Knight, Ronald Coase, and Milton Friedman.

new conceptual space within which to examine the interplay between different variables inside and external to organizations. From this analysis, we will be better situated to develop models for explaining and predicting different kinds of group actions, determining how to hold such group agents responsible, and understanding what it means that *we* are the parts making up these kinds of groups (i.e. the role of personal identity in a group agent).

In a move similar to the social sciences, a popular vein in philosophy of action subscribes to individualism about group actions, where explanations of group agency are made by way of referencing the mental states of the members. These kinds of mereological descriptions conduct explanations of group action beginning with either the parts or the whole. That is, by explaining how the individuals have the proper motivations to join together to form groups that act cooperatively toward common ends (bottom-up) or by explaining the social level phenomena in terms of individual actions and the mental states that motivate them (top-down). One general goal of this project is to show how and why these approaches *through focusing solely on the individuals involved* fail to capture and account for important types of group actions. The project's title, "Structure and Agency: An Analysis of the Impact of Structure on Group Agents" alludes to Michael Bratman's most recent work *Structures of Agency* (2007) and the sub-title highlights what I see to be missing from the popular accounts of group agency (the impact of structure).

In the first chapter, I develop a taxonomy of organization structures and use this classificatory system to examine the relation between our representations about group agency and the juridical conception of corporate personhood. I begin by explaining agency more generally and detailing how different agential capacities (e.g., to be self-

representing; to have the ability to make judgments, engage in practical reasoning, and make promises) relate to attributions of accountability and responsibility. One aim of Chapter 1 is to show how Constitutional law and corporate law present two conflicting views of corporate agency, as is evident in the recent Supreme Court case of *Citizens United v. Federal Election Commission* (2010). I argue that the Court's basis for attributing political speech to economic associations is undermined by the misperception that economic associations function democratically. By scrutinizing the justifications offered in the ruling decision of the *Citizens* case, I argue that such misperceptions are not only ontologically problematic, but also result in worrisome practical consequences. From the case of *Citizens United*, an example of how the representations that act as the basis of our explanations of economic group agency fail to accurately track the phenomena under observation, I move on to explore other accounts of collective action that might provide a more suitable starting point.

In the second chapter, my goal is to evaluate the extent to which popular accounts of collective action (cf. Ramio Tuomela, 1997; Michael Bratman, 1993, 1997, 2009; and Christian List & Philip Pettit, 2011) could be made to accommodate the actions of certain kinds of economic associations. I argue that while List and Pettit provide us with a novel way to view group agency, their account is difficult to apply in non-ideal circumstances (i.e. this world, with our history) and overextends what we could expect from corporate agents. Throughout this project, I use List and Pettit as a springboard to develop a more adequate account of how structure influences and constrains the possibilities of one kind of corporate agent, the business firm.

In Chapter 3, I examine how environmental variables shape group agency—more importantly, how this perpetuates particular types of organization structures—and explore the relationship between the representations of organizations and the possibilities for particular kinds of group agents. I claim that understanding how the structure of corporations is affected by both internal (strategy/organizations) changes (see Chandler, 1962, 1977, 1988; List & Pettit, 2011) and external pressures from other social institutions (see Denzau & North, 1994; North, 1991, 2005) will be a better starting point from which to recognize the limitations and possibilities of economic group agents who are also moral agents. I argue that a business firm's organization structure encourages the firm to develop information processing and decision-making systems that mimic strategic rationality. However, we should not assume that the group's ability to engage in strategic practical reasoning entails that the agent will engage in moral reasoning.

I argue that the ideals this kind of agent measures itself against are the ideals of strategic rationality, and strategic rationality should not be confused with the kind of reasoning employed by moral agents. Arguing against List and Pettit, I claim that even if certain types of organizations were capable of moral reasoning and acting from moral principles, those outside of the firm would have no way of recognizing this capacity. If the aim is to understand the conditions under which a group may be able to engage in moral deliberations and be the appropriate target of moral praise or blame, we need to have a different set of ideals framing our expectations of these kinds of groups. I end this chapter by discussing what kinds of environmental parameters (external constraints) would be more hospitable to the development of group agents capable of engaging in moral reasoning.



In the fourth chapter, I suggest that attributions of group responsibility should be mitigated by the group agent's possibilities for developing different kinds of reasoning capacities. When organizations are situated in an environment that does not promote organization structures that engage in moral reasoning, not only should we not be surprised when moral reasoning is not present at the level of the group, but we should also expect attributions of moral responsibility to ring hollow. Thus, within systems that constrain group agential capacities against a standard of strategic rationality, group agents should still bear the consequences of their actions, but the grounding for responsibility will be the agents' causal role and the degree to which the group could foresee the consequences of their actions. This is to say, group agents who can engage in practical reasoning are still accountable to others for their actions, but unless the group has the ability to recognize itself (the group) as the author of its actions, moral responsibility is off the table. When group agents are in a system of constraint that models, promotes, and aids in the development of group agents that engage in moral reasoning, attributions of moral responsibility for actions are appropriate. At the end of this chapter, I explore what an organization structure would need to promote as part of its member buy-in process to give rise to a virtuous group agent.

Finally, I end my project by exploring how my account of group agency resonates with some of the work done in the field of Corporate Social Responsibility. Specifically, I look at how the second wave of corporate social responsibility seeks to find room for moral reasoning in business decisions. Arguments in support of corporate social responsibility, though, are constrained to justifying the role of moral judgments in business decisions through engaging to the interests of *business* rather than connecting

business actions to society. I argue that a more fruitful starting point, and an extension of my arguments in chapters 3 and 4, would be to see business strategies as political strategies. I argue that doing so will initiate a shift to a conception of the business firm as a modality of power. This modality of power emphasizes intersecting and overlapping power relations between political economy, government, and populations that give rise to the defining forces shaping our possibilities. In identifying the points of power asymmetries in corporate structures, and undoing their histories, we will also be opening the possibilities for the kinds of social arrangements that enable ethical relations between persons. This shift in orientations does not entail that we cannot appreciate how these kinds of social communities give rise to solutions for solving the problem of pricing mechanisms and increasing efficiencies. Rather, it gives us a way to renegotiate the interactions between the individuals who determine the possibilities for group agential capacities, the people who enact the decisions that give rise to the group agent itself, and the interplay between acting in organizations and having organizations determine the possibilities of individuals' practical identity.

## **Chapter One**

### **Corporate Persons, Corporate Actions, and Agency**

*If the speakers here were not corporations, no one would suggest that the State could silence their proposed speech. — First National Bank of Boston v. Bellotti (1978, 435 U.S. 765, 777)*

#### **1.1 Introduction: Representations of Corporate Agency**

When the law recognizes a business firm as a kind of person, what does this mean? With some exceptions,<sup>4</sup> the colloquial intuition is that the legal body of the corporation is manifestly different than the kind of agential entity I am. The historical recognition, under the 14<sup>th</sup> Amendment, that corporations are citizens with the right of due process is the means by which governments keep a grip on these kinds of legal bodies. As discussed at length by Joshua Barkan, in the late 19<sup>th</sup> and early 20<sup>th</sup> century, the Supreme Court heard a series of cases that shaped the contemporary concept of corporate personhood. The concept of corporate personhood and “legal personality was a response by the state...regulating individuals, groups and populations *as individuals* was a mechanism by which the federal government attempted to centralize its power and connect ‘persons’—human or otherwise—back to the state” (Barkan 2006, p. 130).

By treating corporations as persons, the state could determine jurisdiction by virtue of its ability to locate the corporate body to a particular state, and as such, the articles of incorporation became bound by the laws of the state, and governments secured

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<sup>4</sup> For example, as reported by the Huffington Post (August 11, 2011), Mitt Romney stated that “Corporations are people” in response to a question about increasing corporate taxes to alleviate tax burdens on citizens.

an avenue for taxation and redress for corporate actions. But how are we to conceptualize the relation between agency, which by the most minimal definition is the ability to cause change in the world, collective action, and personhood? To begin, I will discuss the basis by which we can distinguish non-agents from agents. From a minimal conception of agency, we can more concretely discuss what kinds of agential capacities firms might have and whether or not the language of personhood or rights is appropriate.

This chapter will lay the foundation for my broader project, which aims to outline a non-idealized account of group agency. Aiming for a non-idealized explanation of this phenomenon, I will be constructing an account of group agency that can help us make sense of the ways we represent groups and how these representations inform the ways in which we engage with particular kinds of group agents in our ordinary existence. I will use the recent Supreme Court case of *Citizens United* as an example of how the representations that act as the basis of our explanations of economic group agency fail to accurately track the phenomena under observation.

I will begin by examining a minimal concept of agency and how different agential capacities (e.g., ability to reason, self-reflect, make promises/take on obligations) relate to attributions of accountability and responsibility. It is imperative to identify the minimal capacities that must be present before we can accurately call an entity to an agent. I will then proceed to elucidate how one might practically come to attribute agency to a structured group or organization. Agential capacities arising within groups, as with individual persons and other organisms, are not isolated, one-time flickers of rational action. Rather, the attribution of agency to an entity or system entails that it displays a particular pattern of behavior over time. Following from this, I will be working with a

conception of agential capacities that focuses on the dynamic process between inputs from the world (environmental stimuli) and outputs from the entity (actions/behaviors). Throughout this project, then, I will seek to demonstrate the necessity of accounting for the role of structure and external environmental factors in adequately explaining economic group agents.

### 1.1.1 Agency, Agential Capacities, and Personhood

Looking to the outside world, we might observe many different kinds of events that appear to be actions under the control of an entity or a system. However, discerning which actions are under the control of an agent, or even which entities or systems are agents is not always *prima facie* obvious. In the beginning of *The Principles of Psychology*, William James explains the connections between observable phenomena and attributions of intentional action (1890/1918). First, James asks us to compare a pair of lovers, Romeo and Juliet, to metal filings and a magnet (pp. 6-8). The actions of both might be attributed to goal directedness on the part of the entities involved; the metal filings moving toward the magnet could be understood as aiming to be together in a manner resembling two lovers acting on the intention to let nothing keep them apart. However, as James points out, a simple piece of paper can block the metal filings' path, and as metal filings do not modify their path in light of changes in their environment, they fail to reach the magnet.

From this rather simple observation, we can discern that one of the primary differences between these two systems is the ability to form representations of the external environment and the ability to modify the pursuit of the goal in light of those representations; that is, in the case of the lovers, there is means-end coherence in a strong

sense. As James put the point, “[w]ith the filings the path is fixed; whether it reaches depends on accidents. With the lover it is the end which is fixed, the path may be modified indefinitely” (p. 7). With means-end coherence as the minimal mark of mentality or intelligence, we can see that in the case of the metal filings and the magnet, the attribution of intentions and aim directedness seems less justified than the pair of star-crossed lovers. Thus, on a very minimal definition, an entity or system under observation has to display a minimal level of intelligence, such as exhibiting means-end coherence in actions, to be a candidate for agency.

Yet, even as the presence of intelligent behavior gives us a way to distinguish the agent from the accident, it does not mean that higher-order cognitive processes capable of practical reasoning govern the systems underlying the entity’s actions. That is to say that just because a creature or system’s behavior appears rational does not mean the creature or system is deliberately aware of its actions. Take the slightly different example of a standard cockroach I observe on my kitchen floor when I turn on the light. It quickly scurries over the rug, along the wall, until it disappears into the darkness under my refrigerator. The bug escapes my frantic foot-stomping, usurping my attempts to smash it, and demonstrates, possibly better than Romeo, that it has a clearly fixed end (i.e., escape the light, avoid sources of vibration and movement), as well as a variety of means to achieve it. Both Romeo and the cockroach are using their representations about the world to adjust their actions to achieve their ends.

Adding to the index of agential capacities, means-end coherence involves more than the pursuit of goals. For an entity to display means-end coherence it can be said to have desired ends or goals, which entails forming representations about its environment,

to act on the basis of those representations toward its aims, to track changes in its environment, and to modify actions accordingly to continue the pursuit of the goal. However, there seems to be a fundamental difference between the kind of agency underlying Romeo's actions and those underlying the actions of the cockroach. The distinction lies not with the ability to pursue an end, but with the processes by which the ends present themselves as such, the ability to self-represent, and the ability to reason over one's ends.

To draw on a distinction that Harry Frankfurt elucidated, the cockroach does not act on desires that the agent identifies (see, for example, Frankfurt 1988, 1999). This is to say that the insect may be a purposive agent (to employ a weak sense of the term), but it does not *choose* the avoidance of light as *its* end. To put the point another way, even as the cockroach may control his actions, it is not the author of its actions; it does not have the ability to understand itself as an agent (from self-representations). At most, the cockroach's actions are subject to a kind of teleological explanation. As James puts the point, "the animal is, on the whole, safer under the circumstances for bringing it [the end] forth. So far the action has a teleological character; but such mere outward teleology as this might still be the blind result of *vis a tergo*...produced by automatic mechanism" ( p. 9).

In contrast we could explain Romeo's pursuit of his beloved in terms of physiological instincts or evolutionary biological drives, but his additional capacities to self-represent, reflectively engage in a decision-making processes, and act on the basis of reasons makes him self-governing in a way that manifestly distinguishes his agential capacities from the cockroach. With the agential capacity of reasoning and decision-

making, we expect that Romeo could choose *not to* pursue Juliet. As such, my ascription of agency to Romeo, and entities or systems like him, is more complex than the ascription of minimal agency I attribute to the cockroach. Moreover, this difference displays itself in the range of reasoning capacities creatures like Romeo are capable of engaging in; he can reason strategically and morally. When it comes to evaluating the actions of this kind of agent, I take this difference of agential capacities, and the fact that Romeo is a moral agent, into account.

One consequence of the cockroach's agential limitations is the subsequent limitation of attributing responsibility for its actions to this kind of minimal agent. For example, if the cockroach startles me in my kitchen and I stumble over a firearm as the bug scurries away, and the firearm goes off and a stray bullet happens to graze my leg, even as the cockroach is *a* cause of the shooting, it is not *responsible* for the shooting. However, if my ex-wife goes to a store, purchases a firearm, comes to my home, and fires a gun at me, I would say that her agential capacities, combined with her actions to carry out her plan, justifies my attribution to her of more than mere causality for the shooting. I would look for evidence as to whether or not she intended, planned, and executed the plan to shoot me. My ex, who has the capacity to reason over the ends she pursues, supposedly made a judgment about the rightness or wrongness of her actions, and then endorsed certain plans as those she ought to take up. In short, she engaged in a different kind of reasoning than the roach's flight from the light.

This additional capacity to engage in moral reasoning is the minimal threshold of a moral agent, and with this extra capacity comes a greater degree of accountability and a different kind of responsibility. Moral agents, those that have the additional capacity to



engage in moral reasoning, are expected to engage in such a capacity when, at the bare minimum, actions would violate certain general moral principles (e.g., taking a life, causing unnecessarily pain to other agents, lying).<sup>5</sup> For example, suppose that we live in a society that frowns upon child labor. If a moral agent employed child labor in the use of textile mills, that society might expect that the agent would have been aware of this standard and would have had to consider the rightness or wrongness of the action prior to exploiting the innocent. If the decision to employ child labor was the result of a decision-making process that aims at maximizing profit, rather than considering the moral weight of the means toward that end, the primary variable in the decision-making process would be the maximization of profit.

In such cases, the end is set, the reasoning employed to determine the most efficient means to the end is one of strategic rationality. When I consider the statement through the process of strategic rationality, I judge whether this statement fits with my general aims and past judgments, and then I either accept or reject this course of action in accordance with my practical reasoning standards by determining whether or not child labor would increase the likelihood that I reach my goals by the most efficient means necessary. To the extent that child labor is profit maximizing, instrumental reasoning would dictate the affirmative. When I consider the statement through a process of moral reasoning, I not only judge whether the statement fits with my general aims, but I also engage in the additional reasoning process of evaluating whether this action, employing

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<sup>5</sup> To be clear, I am not claiming that moral principles, which enter into an agent's reasoning process, are universalizable. Additionally, I am not making the claim that moral principles all ultimately derive from some universal principle (e.g., Kant's categorical imperative). In other words, I am not making any claim about what *good* moral reasoning looks like. Rather, my claim is that, at a minimum, moral reasoning involves the capacity to reflect upon at least some general moral principles during the process of practical reasoning. These moral principles could be understood as something akin to community standards, or they could be something we consider a special class of principles derived from a universal principle.

child labor, is an end to consider in the first place. To make a judgment on either statement in a manner that is consistent with past judgments necessitates practical reasoning, but strategic rationality does not require me to be capable of bringing into question whether the ends I am pursuing are worth pursuing in the first place. Moral reasoning and the ability to make moral judgments about courses of action require practical reasoning. Practical reasoning, however, does not necessarily entail that the decision-making process will bring into question the very ends it is considering, or that the agent is self-reflective about his or her actions more generally.

I have alluded to the idea that we might attribute agency not only to individuals or particular entities, such as a cockroach, but also to systems that produce observable, measurable actions in the world. Describing a corporation as an agent is a useful way of understanding how complex interactions between people and structures independent of *specific* human involvement give rise to autonomous group decisions and actions. Yet, not all organizations work like this. While viewing the group as the agent, and extending the example above, would allow us to talk about Bank of America, Citigroup, Chase, and Merrill Lynch as entities distinct from their employees, shareholders, and boards of directors, these kinds of large-scale bureaucratic systems do not adequately represent many other kinds of organizational arrangements. Inasmuch as the group is responsible for the organization structure and the consequences of group actions, understanding how different structural dimensions of the organization influence or augment information flow and decision-making processes affect group actions would be the first step toward a practical conversation about holding the group responsible, over and above the individual actors who might have unintentionally “pressed the button” of the subprime crisis. To

begin the development of a taxonomy of organization structures, I will first describe the basis of the taxonomy (i.e. the defining variables) and the resulting general organizational classifications. Then, I will move on to discuss group agential capacities within the context of this classification.

## **1.2 Taxonomy of Organization Structures**

While sociological theorists such as Max Weber have examined different types of organizations and their mode of operation, their focus was not the development of a taxonomy of organizations or organization structures. Attempting to divide organizations into discrete categories based on the *kinds* of organizations they are may intuitively seem to be a good starting point. Likewise, dividing up organizations based on their stated goals (e.g., maximizing profit, political or social change) may also seem like a good starting point for distinguishing between kinds of organizations. However, both of these ways of separating kinds of organizations run into limitations when attempting to understand how the organizations act as causes of change in the world, and how to account for the agential capacities of different kinds of organizations.

Looking to the kind of organization as the basis of a system of organizational classifications might give us more explanatory power when we attempt to predict how a given organization will set up decision-making processes, weigh information when setting organizational priorities, or share power amongst group members, etc. For example, knowing that an organization is an LLC (limited liability corporation) might give us reason to think that it will have a hierarchical decision-making process, whereas a voluntary political association might be more likely to have more democratic decision-making processes and a more balanced sharing of organizational power. Similarly,

looking to the goals of the organization, which would be directly related to the kind of organization that it is, might indicate how an organization would prioritize different variables in its decision-making process. For example, an organization with economic (profit) goals would put a heavy emphasis on profit maximization, whereas an organization with political goals would put a heavy emphasis on demonstrated social progress reflective of those political goals. The problem with this kind of discrete classification is that it does not map onto organizational life we see in the world.

Organizations are multidimensional, and their decision-making processes are often less reflective of the kinds of organizations that they are *per se* than a reflection of the interplay between an organization's structure and a complex network of pressures (e.g., implicit forms of regulations, such as understood community standards, and explicit forms of regulation, such as legal codes and sanctions, or member expectations). Similarly, organizational goals are often multifaceted and not easily categorized according to how organizations see themselves or how particular societies conceive of their purpose. For example, corporations are primarily seen as economic organizations, but the ways in which they pursue the economic interests of *some* sets of persons (corporations rarely serve the best interest of *all* involved in their operations) is a social and political enterprise, one that, upon closer examination, directly and indirectly shapes the very networks of pressures that act as the foundation of the taxonomy.<sup>6</sup> With this in mind, it seems more fitting to look first to the world to see what structural variables might present themselves as the basis of a taxonomy of organizational structures.

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<sup>6</sup> For a more in-depth analysis and overview of the history of organizational classifications and early attempts at taxonomy see Carper, W. B. and Snizek, W. E. (1980). The Nature and Types of Organizational Taxonomies: An Overview. *The Academy of Management Review* 5 (1), pp. 65-75.

Developing a taxonomy of organizational structures, one that focuses on observable (empirical) and measurable characteristics of organizations existing in the contemporary social landscape, will give us the means to look at decision-making structures or information processes and to better predict organizational decisions or possibilities for change. Moreover, creating a taxonomy of organization structures would provide a starting point from which to determine the ways in which different dimensions of an organization's structure might be blocking deliberation processes we think are important in different kinds of organizations.

A series of empirical analyses completed by an Ohio State study (Hall, Haas, & Johnson, 1967; Haas, Hall, & Johnson, 1966) and the Aston research group (Pugh, Hickson, & Hinings, 1969; Pugh et al., 1969; Pugh et al., 1968; Pugh et al., 1963) identify and define five primary variables of structure, which produce relatively homogenous groups of organizations in general, as opposed to their particular aspects, such as the group's goals, function in society, etc. The five variables can be summarized as follows:

- 1) Specialization of function: the degree of division of labor in the organization
- 2) Standardization of procedure: the extent to which an organization explicitly defines the member roles, organizational rules, and procedures to generally apply
- 3) Formalization of documentation: the extent to which standard procedures, rules, and member roles are clearly documented, distributed, and communicated with members throughout the organization
- 4) Centralization of authority: the degree to which authority in decision-making and execution of group plans is localized to particular roles within the organizational structure (e.g., higher in the hierarchy)
- 5) Configuration of positions: the shape of role structures and information processing structures within the organization

While there are variations in how fine-grained particular theorists make the taxonomies resulting from the correlation of clusters with certain variable scores, there are some common organizational forms:<sup>7</sup>

- 1) Factory firm: an organization with a high level of internal structure, low concentration of authority, a high integration of standardized procedures and formalization of documentation. Examples might include large, independent assembly-line factories such as car manufacturers
- 2) Hierarchical firm: an organization with a high degree of centralized authority; member activity is highly standardized and organizational roles are clearly defined, but daily work is not highly structured (i.e., members have a fair amount of freedom from micro-managing). An example of this kind of organization might be a college or university or a service organization that has an external board of directors or governance committees.
- 3) Organic firm: an organization that has both low levels of structure and a dispersed authority structure. Such an organization has an organic rather than hierarchical configuration, and has low levels of explicit formalization, although organizational culture and external regulatory mechanisms still structure member roles and activities. Many small-scale start-up companies would fit this description.
- 4) Bureaucratic firms: an organization with a high score on all dimensions. The organization has a high degree of standardization, centralization of authority is present and the configuration of positions parallels the centralization of organizational power. There is a high structuring of member activities, and a high degree of formalization in organizational procedures. An example of such a firm might be a government-run factory or a military organization.

This kind of multidimensional framework provides more explanatory force than more discrete typologies of organizations because it captures how external variables, such as strict regulatory and legal frameworks, influence internal variables, such as the formalization of documentation (and vice versa).

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<sup>7</sup> For example, Pugh, Hickson, and Hinings develop a taxonomy that includes preworkflow bureaucracy, nascent workflow bureaucracy, workflow bureaucracy, personnel bureaucracy, implicitly structured organizations, nascent full bureaucracy, and full bureaucracy. Note that they do not attempt to classify voluntary associations. (1969, pp. 117- 123). In contrast, I am aiming to develop a more general taxonomy that can map organizations and as such, I am making up general terms to refer to these organizational types rather than borrowing from a particular organizational theorist.

With the more dynamic framework as our foundation, we are now in a better position to ask a slightly different question. How do different agential capacities map onto different kinds of organizations? In particular, what kinds of organizations, if any, should we expect to be candidates for group agents? Does this make a difference to the way we interact with these kinds of groups, or the way these groups interact with citizens or other social institutions? By more closely examining how we represent the entity we call the corporation, the ideals against which we determine its proper function, and the degree to which firms exist that do not fit the framework grounding this ideal, we can identify how the variables making up this taxonomy would encourage the development of economic group agents who are also moral agents.

### 1.2.1 Group Agents and Organization Structures

Christian List and Philip Pettit's recent book, *Group Agency*, discusses the possibility of group agents arising from corporate entities (e.g., churches, nation-states, commercial corporations). List and Pettit begin their conversation about the conditions for the existence of group agents by pointing out that our representations of corporate entities directly shape how we understand these entities to function. For example, they ask us to imagine ourselves observing a robotic device moving around a small confined area performing simple tasks (for instance, picking up cylinders lying on their sides on a table top) (*Group Agents*, 2011, p. 22). One way to view the robot would be as a series of silicon and metal pieces fit together in such a way as to passively carry out tasks. In contrast, another way we could view this robot, which is performing *programmed functions*, is as a kind of agent. However, in doing so, we would be reinterpreting its actions. Agential representations are made salient by the way we describe an agent's

functioning. The robot is scanning its environment, it represents the environment, and how that environment should be arranged (all upright cylinders), and appears motivated to respond to the gap between how the environment is and how it wants it to be (when a cylinder has fallen over, the robot stands it up again).

In the case of different kinds of organizational structures, we can observe how the entity acts, and when the organization displays patterns of actions that are not easily explainable in terms of its individual parts, this may give us reason to reevaluate how we are representing its function. In other words, when a particular kind of organizational arrangement yields judgments and actions that appear more like a unified system, that is, some kind of minimal agent rather than simply extending the wishes of a centralized authority or simple majority, we should look for an explanation as to why and how such a phenomenon is arising. Moreover, what we gain by taking the robot or an organization as a kind of agent is a different way of making sense of what it is doing and why it does the things that it does, and of judging its actions accordingly (i.e., does it succeed in its task?). In other words, it changes the representations we use as the basis of our evaluations of the entity under observation. One may ask, though, what are the variables I have noted that make different kinds of organizations candidates for agency?

When the organization has a decision-making process that results in rational patterns of decisions that mirror the practical reasoning capacities present in other agents (e.g., individual human agents, some kinds of animals, the robot), then the organization is a candidate for agency. Group agency would, in its most basic form, be identified in entities or systems that display minimal standards of rationality through means-end coherence. Group agency, if it is not to be superfluous, will have the additional



requirement that the group's decisions and actions are distinct from, and not reducible to, any specific set of organization members. The justification for considering the group, rather than individuals within the group, as the source of this display of minimal agency is grounded in the organizational decision-making processes themselves.

What I am claiming, and what I will examine in greater detail in the next chapter, is that with increasing complexity, there is (sometimes) a phenomenon displayed at the level of the group (whole) that cannot be adequately explained through reference to what is going on in its parts (persons).<sup>8</sup> It is not merely a case of people acting in coordination. Rather, by examining the framework of the organizations in which they are acting, we gain a way to make transparent the representations of a class of organized group agents. By making these representations transparent, we can more adequately model how different variables influence the decision-making processes and the way information flows through the organization, and how these processes result in organized collective actions that do not reduce to the actions of individual members. Moreover, with transparency in processes comes the ability to develop ways to change what we expect of the group, what we expect of individual group members, and what individual group members expect of themselves.

When we examine, as List and Pettit do, more sophisticated groups whose decision-making processes include complex feedback mechanisms that result in group-level practical reasoning, our expectations and attributions of group responsibility should be indexed to this capacity. Getting clear on the extent to which group agents function as

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<sup>8</sup> I hesitate to say that the phenomenon would be “emergent,” given the problematic history of emergentism in collective action theory. Emergentism, generally speaking, is less stable a phenomenon than the sort in which I am interested here. Rather, it should suffice to say that the phenomenon is autonomous from the actions described at the level of individual actors, but the two sets of descriptions share some of the same mechanisms (i.e., individual persons).

agents, and the degrees of control we have in shaping these agents, enables us to develop group decision-making processes that reflect more ideal representations of these kinds of collectives. In other words, we can begin to determine the relationship between our representation of group arrangements and the kinds of organization structures that give rise to groups that function as agents.

One consequence of starting from a taxonomy of organization structures, and with it a taxonomy of understanding the possibilities of group agency within organizations, is that it brings into question our assumptions about the degree to which organizations are reflective of their members in the ways that we think they are. When we bring into question these basic assumptions, the justifications for granting certain groups rights and privileges is also brought under fire. Thus, changing our representations of organizations may cause subsequent changes in what shows up as the relevant functions (goal-directed actions) of the system and how we might change internal processes within the entity to make it better suited to pursue its function. This point will be made salient by examining how American jurisprudence conceives of economic associations and the justification for corporate political speech.

### **1.3 Understanding Economic Associations as Associations of Persons**

Economic associations can come in any of the organizational structures discussed above. Understanding economic associations as merely associations (or conjunctions) of persons may be the ideal representation from which we envision individuals to come together toward their common end of making profit. This, in any event, is the idealized view from the Constitutional law. We can see evidence for this in the recent Supreme Court case of *Citizens United v. Federal Election Commission (Citizens)* (2010, 558 U.S.

50). The careful language of the decision focuses on enabling and protecting the rights of citizens when they enter into different kinds of associations. To paraphrase the question asked by Justice Kennedy in holding, why should persons *qua* individual citizens<sup>9</sup> be denied their right to free speech when engaging in corporate associations? If we understand corporations as forms of association where individual citizens join together freely, why should the fact that they do so for business purposes limit their freedom of political speech (*Citizens*, 558 U.S. 50)? This is the point echoed in Justice Scalia's concurring opinion, in which he states, "the individual person's right to speak includes the right to speak *in association with other individual persons*. The association of individuals in a business corporation is no different—or at least it cannot be denied the right to speak on the simplistic ground that it is not 'an individual American'" (*Citizens*, 558 U.S. 50).<sup>10</sup>

By focusing on the rights of citizens, The Court implicitly endorses a vision of economic associations as a kind of organization structure that ensures a direct connection between the actions at the level of the group and the members making up the association. This kind of deliberative group decision-making structure stands in stark relief to the model of corporate governance that dictates the degree to which economic associations have to model their group political speech from the speech of their members. Economic associations are not designed to represent the members, but to represent and promote the ends of the *group*. Turning my analysis to this recent Supreme Court case will elucidate

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<sup>9</sup> Throughout this chapter, unless otherwise specified, I will use 'citizens' to mean natural, traditional individuals as opposed to corporate individuals. Whenever reference is made to corporate persons, these should be taken to mean corporate individuals or group agents.

<sup>10</sup> Scalia, J. concurring opinion, original emphasis. As noted by Bryce Huebner, Scalia is also vacillating between an inflationary and rabidly deflationary account of group mentality (*Distributing cognition: A defense of collective mentality*, book manuscript in preparation).

how our representations of organizational design function as the basis of manifestly different canons of group freedoms.

*Citizens* focused on balancing two concerns. First, the Court wanted to ensure that the right of individual citizens to exercise political speech in association with others was protected in a variety of associations, including economic associations (i.e., corporations). Second, the Court wanted to ensure that the protection of group rights would not come at the expense of ensuring that the First Amendment remained a public good accessible to citizens more generally. This is to say that the Court had to decide whether granting group rights to economic associations would guarantee the freedom of expression of its members without compromising the freedom of expression within the context of liberal democracies broadly understood. I will focus on the issue of the degree to which the political speech of economic associations is reflective of its members in the way described by the decision.

The right to political speech for corporations has historically been constrained, not because individuals lose their rights upon entering into this form of association, but because corporations can do things individuals cannot. Case precedent, including *Buckley v. Valeo* (*Buckley* 1976, 424 U.S. 1) and later *Austin v. Mich. Chamber of Commerce* (*Austin* 1990, 494 U. S. 652), state that such privileges include the ability for corporations to accumulate massive amounts of wealth and property, and to influence policy to an extent far surpassing the individual citizen. These unfair advantages, it was argued in precedent, carry over into the marketplace of ideas directly because of the economic advantages some corporations have over individuals (*Citizens*, 558 U.S. 50, 34). Precedent argued that once these economic influences found their way into the

marketplace of ideas, they would be able to unduly influence the political opinions of citizens by buying more air time, using more media space, and giving voice to political opinions even as the provenance of said opinions remains opaque, thus clouding the marketplace of ideas and threatening the freedom of expression as a public good. Additionally, previous decisions held that corporate political support with which shareholders disagreed would effectively force those who had differing political opinions to support the political opinions of the group financially. Another way to state this concern is to say that corporate speech would not be reflective of or responsive to the political attitudes and preferences of the corporation's members.

In the case of *Citizens*, the Court claimed that shareholders *could* regulate corporate spending in campaign donations through the regulatory mechanisms of "corporate democracy." It was argued that the shareholders had the means, through their ownership of the corporation, to regulate the spending habits of the corporation. If shareholders have the ability to directly reflect their political opinions through their ability to control the actions of the corporate association, there is no need for a separate fund (i.e., Political Action Committees [PACs]) or strict ceilings on corporate donations to express their opinions. The Court's argument works because it treats corporations as if they are directly reducible to the individuals who make them up. In other words, the Court assumes that the beliefs, intentions, and actions (in this case political speech) are, or can be, directly attributed to the members making up this kind of association, and furthermore, that the members *can change* the group-level speech. Following this line of reasoning, the Court's decision models the rights of the association from the rights of the individuals within it.

I will discuss two reasons why this type of aggregated-form reductionism is problematic.<sup>11</sup> First, the Court assumes that economic associations are relevantly similar to other kinds of associations, in which the political speech of the group can be directly linked to the political opinions of some particular sets of members. This view of corporate organization fundamentally ignores the limits on shareholder freedom set by corporate law threshold standards. Shareholders in publicly traded companies may have a say on *some* actions of the firm (i.e., those measures they vote on). However, by looking at how political expenditures and contributions are treated by corporate law, and by virtue of the precedent set by shareholder derivative cases, I will argue that we have good reason to think that shareholder freedom will not translate to the ability to demand money spent on political speech be in accordance with shareholder preferences. Shareholders are not free in the same way general citizens are to express their opinions at the level of the group; just as managers and directors are bound and constrained by fiduciary duty, so too are shareholders bound by limitations on voting rights and the ability to challenge management decisions.

Second, the decision has substantially stripped employee members of a voice in the political speech of the group. The Court's elimination of the connected PAC requirement for economic associations renders employees unable to participate meaningfully in the group's political speech. Moreover, this change also silences

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<sup>11</sup> The Federal Election Commission (FEC) argued that to grant corporations the right of freedom of expression was to confuse corporations with persons and to ignore how powerful corporations are, and that treating them as such can be detrimental to society by virtue of the fact that large asset-holding corporations have a major impact on shaping the lives of citizens. The Court, as mentioned in the beginning of this chapter, refocused the topic from one of corporate personhood and corporate structure to one that assumes that corporations and the individuals within them are relevantly similar. This is the problem that I address here. Thoroughly addressing the FEC's concern is an important, but separate, project. I will address the FEC's broader question about why treating corporations as performative persons might be problematic in the Chapter 4.

minority and dissenting voices that previously had a role in deciding the political speech of the group. Even if, in some cases, the political speech of the corporation does reflect the shareholders' views, the correspondence is merely serendipitous. If shareholders have a right to political speech within the economic association, it should hang on something stronger than coincidence or the goodwill of the association.<sup>12</sup> I argue that ensuring members the right of political speech, in a manner consistent with the representative model of corporate democracy grounding the Court's decision, entails external mechanisms that allow individual members to contest the actions of the group through the channels of exit and voice (Hirschman, 1970) of the political opinions of its members. As it stands now, the corporation does not have a legal duty to reflect the political opinion of the shareholders. As such, the Court has wrongly applied the standard of association, that is, as a group of individuals acting together, in the case of *Citizens*.

#### **1.4 A Practical Problem**

The law is one way that we attempt to shape and structure the social sphere to enable and support liberal democratic ideals. In doing so, our regulatory mechanisms aim to protect the rights and privileges of persons at the level of groups. While this is not Constitutional law's only function, the acknowledgement and protection of the rights of citizens, including citizens in association with others, is informed by how those who interpret and define jurisprudence understand individuals to function within certain kinds of associations. When it comes to protecting the freedom of expression guaranteed under

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<sup>12</sup> List and Pettit make a similar point in the chapter on "The Control Desideratum" between content-independence and context-independence. When an individual is under the domination of another, even if she can act in the manner she chooses, she is not free in the more robust sense of freedom from interference. This is content-independent decisiveness. When the same individual is making decisions without the possibility of interference from another, the situation is changed to one of context-independent decisiveness (2011, pp. 133-35 and 145).

the First Amendment, this takes the form of political speech rights. The Court has to balance individual rights to expression as a public good--something accessible to citizens outside of the group association--with the rights of individuals to join the association while maintaining their freedom of speech.

*Citizens* paved the way to record-breaking expenditures on political campaigns and issues during the 2010 midterm elections (Zeese, 2010). What is particularly troubling is not the amount spent *per se*, which was in excess of four billion dollars, but the fact that citizens could not ascertain precisely where the campaign contributions came from.<sup>13</sup> As direct campaign donations are still restricted for economic associations, many of the large donations were not given directly to the political parties, but took advantage of the lifted limitations on political expenditures. One result of this new freedom on political expenditures was the ability for economic organizations to donate funds through non-connected political action committees (PACs). Although funds donated to 527 organizations<sup>14</sup> are subject to external reporting, donations to 501(c)(4) organizations<sup>15</sup> allow associations, corporations, or private individuals to contribute anonymously; the

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<sup>13</sup> Starting from the presupposition, as the Court does, that financial contributions toward political campaigns are a form of political speech, finding fault with the amount spent would be comparable to finding "too much" free speech exchanged in the marketplace of ideas problematic. While the question of whether monetary donations should be taken to be a form of speech is an interesting question, it is largely outside the scope of this project.

<sup>14</sup> 527 organizations are created primarily to influence the selection, nomination, election, appointment, or defeat of candidates for federal, state, or local public office. In common practice the term is usually applied only to such organizations that are not regulated under state or federal campaign finance laws because they do not "expressly advocate" for the election or defeat of a candidate or party. There are no upper limits on contributions and no restrictions on who may contribute. There are no spending limits imposed on these organizations; however, they must register with the IRS, publicly disclose their donors, and file periodic reports of contributions and expenditures. Many 527s are run by interest groups and are used to raise money for issue advocacy and voter mobilization outside of the restrictions on PACs.

<sup>15</sup> 501(c)(4) organizations operated exclusively for the promotion of social welfare, or local associations with membership limited to a designated municipality or neighborhood, and with net earnings devoted exclusively to charitable, educational, or recreational purposes. They may lobby for legislation, and unlike similar organizations, they may also participate in political campaigns and elections, as long as their primary activity is the promotion of social welfare. These kinds of organizations are not required to disclose their donors publicly.



non-profit organizations can then channel capital to a political party without reporting the source of the funds. Because political expenditures are considered to be under the purview of corporate leaders and management rather than the shareholders, no mechanism exists for shareholders or independent citizens to obtain detailed information regarding corporate political expenditures, absent *voluntary* disclosures (111th Congress 66, 2010). In short, even *if* corporate associates have knowledge about corporate sponsorship of a particular candidate, the individual citizens outside of the corporate association would not have guaranteed access to the economic association's political expenditures. This lack of transparency is problematic because voters take the identities of political donors as evidence of the candidate's political beliefs, future actions, and potential (future) conflicts of interest. In short, by denying citizens the ability to trace where a candidate's campaign funds are coming from, voters are denied access to relevant data concerning a candidate's intentions once he or she is elected to office.

Although it may be beneficial for corporations and other forms of associations to contribute significantly to the political debate in the marketplace of ideas, this does not mean that they have the right to do so in a manner that leaves the individual citizen effectively blind to potential conflicts of interest on the part of political candidates. Without the ability for individual citizens to access pertinent information about political advertisements, such as who is paying for the ad and what interest they may have in the claims made therein, citizens' ability to make informed decisions and fully participate in free democratic elections is seriously compromised. However, I would like to grant that we could, theoretically, address concerns of transparency. Granting this point, I still think it is worth raising the question: to whom are we granting speech rights when we give

certain kinds of associations political speech rights? That is to say, *who* do we think is speaking when corporations speak?

### 1.5 The Politics of Corporate Speech Rights<sup>16</sup>

In the 19<sup>th</sup> Century, the Supreme Court had to deal with the question of whether or not to treat corporations as “persons” in the eyes of the law. The impetus behind the series of decisions to treat corporations as artificial persons arose<sup>5</sup> from practical questions about how to tax. In other words, the Court was concerned with holding corporations accountable. How the federal law categorized the corporation directly determined individual state’s rights (e.g., to sue, inspect, tax) and duties (to supply police protections, allow participation in civic events, etc.) concerning the corporations within their jurisdiction. If, for example, the law wanted to consider the corporation some kind of citizen, even if only for tax purposes, it would have to grant corporate entities legal standing as persons (since only persons could be citizens).

The earliest cited case concerning the treatment of corporations as separate legal persons, that is, as distinct from the members making up its incorporated body, is *Bank of the United States v. Deveaux* (1809, 9 U.S. 5). In *Deveaux*, the Court deemed that the corporation “is certainly not a citizen.” This decision was overturned in *Louisville, C. & C.R. Co. v. Letson* (1844, 43 U.S. 2), in which the court ruled that corporations are “capable of being treated as a citizen . . . as much as a natural person.” The motivation behind the wording of such judgments was to rule in favor of holding corporations liable for taxes owed to states, not to grant corporations the same rights and privileges granted natural citizens. Although the *Louisville* decision<sup>16</sup> was upheld ten years later in the case of

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<sup>16</sup> For the purposes of this project, I will focus the historical overview of corporate personhood on that of recent United States Supreme Court Cases.

*Marshall v. Baltimore & Ohio Railroad Co.* (1853, 57 U.S. 314), a contrary ruling in the case of *Paul v. Virginia* (1869, 75 U.S. 168) deemed that “the corporation was not a citizen” was made a decade afterward. The case of *Santa Clara County v. Southern Pacific Railroad Company* (1886, 118 U.S. 394), approximately twenty years after *Paul v. Virginia*, is incorrectly cited by theorists and scholars as granting corporations the right to citizenship under the 14<sup>th</sup> Amendment (Yeoman, 2006).

Precedents established by more recent Supreme Court cases, particularly *Carden v. Arkoma Associates* (1990, 494 U.S. 185), set the bar for legal precedence of corporate citizenship. In *Arkoma*, the majority decision as reported by Justice Scalia found that the citizenship of the corporation stems directly from the citizenship of the entity’s members. The wording in *Arkoma* is mirrored in the majority rulings of more recent cases that extend political speech rights granted to citizens, as natural persons, to the corporation as a citizen. Interestingly, the dissenting opinion written by Justice O’Connor raises concerns over the application of citizenship extending from the members of the entity. The primary misgiving expressed in the dissenting opinion was the difference between the form of the corporation under consideration in prior cases--joint-stock companies--and the organizational differences in corporations that are more commonplace now.

In the 150-year history of conflicting decisions, there is no clear consensus in case precedent that firmly establishes how to interpret the legal personality of the firm. The debate over how the American law would characterize the corporation traces back to 1809, but precedence was set circa 1844. The primary concern was to determine how best to balance the power of corporations (e.g., to purchase property, disconnected from the debts of shareholders, etc.) with the necessity to hold the “corporate body” responsible

for its actions (see Barkan, 2006). The general sentiment, as reflected by U.S. jurists, was that ensuring corporate responsibility through legal recognition and sanction of the corporate body was the only sure means of protecting the public against the actions of the firm (Barkan, pp. 168-69). There was and still is no consensus in case precedent over core questions pertaining to the legal personhood of corporations. The sentiment from the Court, however, has consistently recognized the duty of economic associations to function within the constraints of the law and respect the rights of its members. Looking into the most recent Constitutional law cases granting economic associations group rights reveals how the juridical representation of the group has shifted, and the subsequent shift in rights afforded the group.

#### 1.5.1 From the Rights of Corporate Persons to Political Speech

The most recent principal cases that shaped and delimited this particular form of group political speech rights were *Buckley* (1976, 424 U.S. 1) and *McConnell v. FEC* (*McConnell* 2003, 540 U.S. 93). *Buckley* and *McConnell* set the limits on the extent to which corporations could contribute to political speech through monetary donations. *Buckley* found that spending money to influence political campaigns constituted a form of political speech. *McConnell*, the most recent case (prior to *Citizens*), modified the constraints of corporate political speech to close regulatory loopholes that allowed so-called soft money donations to candidates and campaigns on the part of corporations. *McConnell* rested largely on the precedent set in *Bellotti* (1978, 435 U.S. 765) (to a lesser extent) and *Austin* (1990, 494 U. S. 652).

Importantly, *Bellotti* and *Austin* held that allowing corporate associations to engage in political speech was *not* reflective of the individual members' speech. The

model of group decisions and actions reflects the *economic* organization, not the members making up the group. *Bellotti*, held that the protection of the freedom of expression for those that engage in the exchange of political opinion in the marketplace of ideas is not only about what is best for the individual; it is also an essential principle of liberal democratic societies (435 U.S. 821). The decision in *Bellotti* held that the freedom of expression is the cornerstone for open, free deliberation. This open and free deliberation is, in turn, indispensable to ensuring that elected officials are representative of and responsive to the needs of their constituents. This means that the proper function of electoral processes is one conducted in a manner closely approximating the one-person, one-vote principle, resulting in elected representatives who are reflective of and responsive to those who voted them into office. When these points were combined with the recognition that corporations could do things beyond the capacity of most citizens, the decision upheld the need to regulate corporate speech, but did not ban it altogether. Rather, it treated corporate political speech as a special case of expert speech. The Court stated that corporate political speech may be valuable when the matters under consideration directly pertain to the corporation's business interests. The Court, however, did not take up the abstract question of whether corporations have the full measure of rights that individuals enjoy under the First Amendment (435 U.S. 777).

In *Austin*, the Court upheld censorship of corporate political speech, while allowing some organizations comparatively more freedom of expression in the marketplace of ideas, particularly media corporations. Media organizations, the Court argued, do not use funds for political speech as a means of furthering economic gain; rather, the fundamental role of the media is to provide information to general citizens and

be a tool of democratic deliberation. As all organization-based speakers use money amassed for political speech, the aims and goals of the association are brought to bear on when and how different kinds of groups could have access to political speech.

Additionally, the Court cited the existence of PACs as a way for corporate members, including employees, to donate to and engage in political speech on behalf of the association. As a result, the Court found that the individual right of expression was retained for citizens within such associations and at the same time addressed the shareholder-interest concern. Consequently, the existence of separate PACs was used to justify curtailing the political speech of corporations.

In the case of *Citizens*, concerns regarding the economic advantages of corporations failed to gain the same traction. The Court pointed out that individual citizens with independent means can spend unlimited amounts in support of political candidates and issues. The Court took this point as evidence for the claim that no level playing field in the marketplace of ideas exists; even between individual citizens, some voices speak louder than others. In other words, the freedom of expression does not hinge on citizens having the same *ability* of expression. If the argument that corporate contributions for political campaigns will corrupt the marketplace of ideas is based on the premise that such contributions will disenfranchise citizens, this argument loses its teeth. If the playing field is already inherently unfair, insofar as it reflects the economic conditions and the difference in abilities amongst citizens, does this then imply that we should censor the economic influence of particular individual citizens? If not, then why is the political speech of for-profit corporations and other forms of associations tightly regulated and/or prohibited?

This kind of reasoning, however, strongly relies on the tight connection between the speech and the speaker. In the case of business firms, this tight connection falls apart in two places: 1) the lack of external mechanisms that ensure members have a secured right to have their voices reflected, and 2) lack of the means by which to ensure *all* members within a group can be said to have a secured means of contesting the political opinions of the group. In the case of the individual citizen, *one* person speaks, and we can clearly infer it is her voice we hear. *Whose* voice do we hear when corporations speak? To *whom*--that is, to which group of persons within the corporation--are we giving a voice when we grant corporations speech rights?

When corporations had to contribute through a separately formed and governed PAC, employees had a role in that voice. Moreover, through government mandated PACs, differing political opinions, even those that conflicted, were ensured equal representation in a manner that did not conflict with the cogency of the group's agency. For example, if half the members held opinion x and the other half held not-x, the PAC contributions, when used to promote the ends of its members in the marketplace of ideas, would financially support both x and not-x in direct proportion to member demands. When we consider how this allows members to express minority and dissenting voices through the mechanisms of political speech, it seems fairly democratic. Without this kind of mechanism, the ability to express dissenting or minority opinions at the level of corporate political speech effectively disappears. In other words, the *Citizens* decision removed voices that were previously audible in the marketplace of ideas. In this way, the connected PAC requirement was an external mechanism, which may have been unduly burdensome for smaller businesses to establish and maintain, which ensured that a

pluralism of opinions from a diverse member set were guaranteed autonomy and freedom of political speech.

With the obliteration of the connected PAC requirement, employees' voices—an entire population of speakers—have been silenced within the group. For example, take Joe, the mid-level manager at Bubba's Big Bank. Joe has, at times, thought it important to involve himself in the Political Action Committee of the Bank, and has donated handsomely to the PAC fund. His voice, as a member of the bank, has elevated candidates to office who raised minimum wage, secured more equitable treatment of employees, and mandated paid vacations for workers. As a member of the bank, Joe's political speech was joined with the speech of others who felt the same and wanted to effect political change. After *Citizens*, Bubba's Big Bank dissolves the PAC. As a consequence of the connected PAC's dissolution, Joe can no longer voice his political opinions in association with others in the group. This is to say that Joe has lost his ability to be a member of the group *and* maintain his right to political speech in association with others.

The Court might defend its decision by claiming that employee members still have the power to form non-connected PACs; or the Court might make the stronger claim that employees are not full members of the corporation—only shareholders are. The claim that shareholders are the only members that ought to be given a secured means of political speech within the corporate agent is problematic. However, even granting this point, that is, even if only shareholders have a voice, it seems their only avenue for dissent is an exit option; this does not seem to meet a robust contestability condition. This decision, then, ignores the fact that shareholders are not free to express their political



opinions in the way general citizens are free to express their opinions in the marketplace of ideas.

### **1.6 First Concern: Economic Associations and Other Associations**

Business enterprises, as Justice Kennedy recognized, are economic associations. In the eyes of the law, corporations, one form of business enterprise, are artificial persons created to serve the economic ends of the persons within the association. What this means, although the ruling does not make it explicit, is that economic associations are not voluntary associations with individuals as members, but primarily associations of assets (Hacker, 1964, pp. 7-8). As mentioned in *Austin*, voluntary political associations “more accurately reflect members' support for the organization's political views than does a corporation's general treasury” (494 U.S. 652, 666, 1990). If the Court is going to base its decision on an idealized model of corporate governance that does not mirror the reality of corporate law, then it should provide some rationale for why the group is only required to represent a narrow set of member preferences. In lifting the connected PAC requirement, doing away with the limitations on political expenditures had the additional consequence of removing an avenue for direct employee contribution (financially, at the very least) to the group's political speech. Even if this result was unintended, the Court cannot ignore the double effect of the decision.

In order for a group of this kind to accurately reflect the opinions of its members, the individuals making up the group must have a reasonable chance of shaping the group's opinion (or in this case, its speech). Employee members of corporate associations often cannot willingly reject the political speech of the group without fear of reprisal. If people do not have a protected and enforced right of expression within the group

association, how can that association claim to reflect its members' opinions? In the case of corporate associations, if people fear reprisal there is little chance that their views will shape those of the association, particularly if they espouse views at odds with the corporate leaders (i.e., their bosses). This is to say that employee members of firms do not have a legally protected voice option.

However, one could still respond that employees could participate in the political speech of the group by forming and engaging in the marketplace of ideas through non-connected PACs. If employee members can engage in the political speech of the group through another avenue, this may allay the concern that they do not have a legally protected voice option. This is to say that employees have not lost anything because they can still contribute to non-connected PACs. This line of argumentation seems to miss the point of *speaking in association with others* as members of the group, not just as individual citizens. Moreover, many companies would not let employees represent themselves as such (members of the economic association) in a non-connected PAC. If employees joined a non-connected PAC, they would be doing so *as individual citizens*, not as members of a group who wish to have their voice heard both within the group *and by others* in the marketplace of ideas as recognized members of that group.

#### 1.6.1 Sphere of Control and Employee Voice

List and Pettit, in the chapter on “The Control Desideratum,”<sup>17</sup> distinguish between content-independence and context-independence. When individuals are under the domination of another, even if they can act in the manner they choose, they are not free in the more robust sense of freedom from interference. This is content-independent

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<sup>17</sup> The control desideratum explains the conditions under which group agents should be organized such that they respect the sphere of control of individuals within the group.

decisiveness. When the same individual is making decisions without the possibility of interference from another, the situation is changed to one of context-independent decisiveness (2011, pp. 133-35 and 145). This kind of fear of reprisal is an example of how a person's supervisor, manager, or a corporate leader *could* interfere with an individual's or group's freedom of speech. In economic organizations, particularly those that operate within at-will employment states, employees depend upon the goodwill of others for their livelihood.<sup>18</sup> Under perfectly competitive market conditions, employees would always have an unhindered exit option. Given the absence of ideal economic conditions, the right of political speech for employee members of the organization must take the form of a protected and enforced voice option.

Following Hirschman's theory of exit and voice, a voice option is a mechanism whereby members attempt to change states of affairs within an organization to which they belong through actions, protests, or petitions to the organization's leadership (1970, p. 30). Voice, however, could also be worked into the feedback mechanisms of an organization's structure to ensure that employee members have protected avenues of contestability when it comes to issues concerning their personal freedoms.

One might defend the point of view that employees are not full members of the economic association by arguing that employees contract their labor in exchange for wages/benefits. Although the corporation may have duties to treat them fairly (i.e., pay a living wage, provide sanitary working conditions, and not use forced labor), the employees do not have a right to have their opinions reflected in the group (corporate) political speech. To think otherwise would be to confuse labor capital with financial capital, when only the latter has a stake in the corporate association. One might further

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<sup>18</sup> Except, of course, when an individual or group of individuals leads the organization.

claim that only the shareholders are full members of the corporation, and it is this aggregate of individuals that makes up the body of the corporate association; as such, shareholders have the right to pursue corporate political actions that reflect their political opinions. Their financial stake in the corporation is the true basis of this form of association and, thus, the individual shareholders come together to control the interests of the corporation, or at least they have the right to do so. Therefore, the Court ought to be concerned with protecting the interests of the shareholder; this is the impetus behind the shareholder-interest argument.

### **1.7 Second Concern: The Metaphysics behind the Decision<sup>19</sup>**

The shareholder-interest argument is problematic for two reasons. First, this argument presents a model of corporate speech rights that conflicts with case precedent, which did give employees the opportunity to engage in group-level political action. Consequently, in the case of *Citizens*, this argument assumes that the only citizens who count as members of the corporate association are the shareholders. Such a position is questionable in that it fails to provide a clear rationale for denying employee members equal consideration and protection of political speech rights within economic associations. In addition, it may be unethical if the basis for relegating employees to second-class citizens within economic associations is that they are less *economically* valuable. The second reason why the shareholder-interest argument is problematic is that it is based on an idealized model of democratic debate and deliberation that does not mirror the constrained reality of shareholder activism. This is to say that the Court

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<sup>19</sup> This argument touches upon a broader question, namely, to whom does the corporation have a responsibility? Although this question is interesting in its own right, it is largely outside this project. However, the Epilogue will address how I see my claims coming to bear on the related question of corporate social responsibility.

believes that the shareholders have a protected right to have their voices heard. Not only is this not the case, but no external mechanisms exist by which to enforce and protect the options of voice and exit for shareholders (i.e., the law recognizes the duty of corporate associations to reflect and respond to the demands of the shareholders). I will discuss each of these issues in turn.

The Court, citing case precedent,<sup>20</sup> claims that the rights of the individual, as a member of an association, depend upon the ability of that member, or a majority of the members, to have a voice reflective of the one-person, one-vote principle. In the case of *Citizens*, then, the Court has in mind a democratized version of the shareholder primacy model of corporate governance; shareholding members of corporations have direct influence or control over the choices made and the actions of the corporation. The model of group agency that arises is a majoritarian decision-making process set within the context of a shared cooperative activity (Bratman, 1992b). The shareholding members have overlapping and meshing sub-plans that share a similar aim. The shareholders engage in democratic deliberations to come to an agreed upon group decision and then present the decision to management for enactment. Justice Kennedy, citing precedent from *Bellotti*, seems to have this type of model in mind as he states, “There is . . . little evidence of abuse that cannot be corrected by shareholders through the procedures of corporate democracy” (558 U.S. 50, 46, 2010). Although it may be the case that some smaller business enterprises *might* exhibit democratic processes similar to those described by Justice Kennedy’s statement, there is nothing inherent in the structure of the organization that enforces or guarantees this.

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<sup>20</sup> It should be noted that one complication with corporate case law is that corporations are entities of the state and, barring few instances, do not fall under the purview of federal regulation. As such, precedent determining who has “a voice” in the corporation changes from state to state.

The presentation of corporate democracy is analogous to the idealized debate in the marketplace of ideas. In American jurisprudence, this sentiment is nicely captured by Justice Oliver Wendell Holmes, Jr.:

When men have realized that time has upset many fighting faiths, they may come to believe . . . that the ultimate good desired is better reached by free trade in ideas — that the best test of truth is the power of the thought to get itself accepted in the competition of the market, and that truth is the only ground upon which their wishes safely can be carried out. That at any rate is the theory of our Constitution (*Abrams v. United States* 250 U.S. 616, 1919).

As Jill Gordon explains, this liberal interpretation of how the marketplace of ideas operates is based in the Millian interpretation of free expression. By joining Mill's arguments from *On Liberty* with a free-market example, we get a picture of a conceptual space in which all opinions are to be expressed; everyone comes to the market with his or her ideas, and through discussion, everyone exchanges ideas with one another. The ideas or opinions compete with one another, and we have the opportunity to test all of them, weighing one against the other. As rational consumers of ideas, we choose the best among them. In the same way that bad products are naturally eliminated from the market due to a lack of demand and good products thrive because they satisfy a demand, so also do good ideas prevail in the marketplace and bad ones are weeded out in due course (Gordon, 1997, p. 245).

To carry this analogy forward into corporate associations, what we get is a picture of a place (maybe a shareholders' annual meeting) where all ideas are welcome. Shareholders can join together to express views that they believe should be represented at

the level of the group, and through rational deliberation (proceeding to a vote), what the shareholders want—that is, the ideas that express the interests of the shareholders (assuming we can make them one homogenous group) becomes reflected at the level of the association. These ideas, or in this case acts of political speech, then enter the general marketplace of ideas where general citizens (the other consumers of ideas) can take the views expressed to be an adequate reflection of the shareholders’ sentiments. Thus, from an outsider’s perspective, the ideas at the level of the group are indicative of the individual members—that is to say, we can understand corporate political speech to reduce to the political speech of its members. What shareholders have, and what jurisprudence calls “corporate democracy,” is the right to exit through the sale of stock. However, exit is not a sufficient replacement for voice; and a sufficiently robust contestability condition should require both exit and voice.

#### 1.7.1 Contestability as Exit and Voice

There is good reason to think that some corporations, particularly those that have the economic means to “speak” loudly in the marketplace of ideas, are designed to pursue the group goals, not the goals of the individual members making up the association. As cited in *Austin*, the Court could claim ambivalence to this possibility; seeking to deal only with cases that apply to the vast majority of economic associations that are not group agents. If we justify the extension of political speech rights to corporations on the grounds that these rights map onto the political speech of some distinct set of members, group decisions that are consistently heterogeneous from the group member’s opinions and decisions undermines this justification, and gives us reason additional reason to proceed with caution.

As I will discuss in the chapters that follow, the degree to which a firm is responsive to its constituents, which include but are not limited to the shareholders, depends more on the external environmental variables (such as size of the community, cultural response to deviance, and degree to which the firm/group can internalize knowledge, skills, and abilities), and is *not* something akin to the democratic nature of corporations more generally. In the eyes of the law and the SEC, managers are not required to reflect the consensus of either the board of directors or the shareholders if they can show that the proposals at hand contradict the interests of the corporation (Lan & Heracleous, 2010, pp. 294-314). Moreover, as Anne Tucker explains, “political expenditures and contributions fall under management decisions decided by a vote of the board of directors or delegated to management, but *are not subject to shareholder votes*” (2011, p. 528).<sup>21</sup> Even shareholder derivative suits, one of the bastions of shareholder activism, are limited in scope.

The *Dodge v. Ford Motor Co.* (*Dodge* 1919, 170 N.W. 668) decision is often cited as an example of the strength of shareholder activism and influence in corporate decisions. In the case of *Dodge*, Ford Motor Company was sued by the Dodge brothers, who were minority shareholders in the corporation, for investing in the local community instead of maximizing the wealth of the shareholders. The Court found that firms had a duty to promote the shareholders’ interests first and those of the local community second. Although *Dodge* has not been overturned, it does not adequately represent the precedent used in corporate responsibility suits over the last three decades. Recent precedent set with cases such as *A.P. Smith Manufacturing Company v. Barlow* (*A.P. Smith* 1953, 346

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<sup>21</sup> Emphasis added.



U.S. 861) or *Shlensky v. Wrigley* (*Wrigley* 1968, 237 N.E.) have addressed the degree to which corporate interests go beyond wealth maximization for shareholders.<sup>22</sup>

In the case of *A.P. Smith*, shareholders sued the corporation for philanthropic giving to Princeton University. The Court ruled that corporate giving is an allowable method of increasing good will in a community, something in the long-term best interest of the corporation, if not in the best interest of the shareholders. The case of *Wrigley*, where the majority shareholder disagreed with the business decisions of the company director, held that disagreement with the decisions of corporate leaders was insufficient for establishing wrong action. Even when the foreseeable consequences of management decisions *might* affect profitability, shareholders were not in a position to overrule the director's decisions. Consequently, *Wrigley* set the standard higher for shareholder derivative suits. For shareholders to bring a derivative suit against a company, they have to show that the actions of management display a dereliction of duty (e.g., fraud, nepotism, negligence).

If the shareholders have little right to intervene in the actions of corporate directors and leaders in decisions that determine a company's profitability, competitiveness, or decisions resulting in donations to philanthropic organizations, it is unclear why they would expect the directors or leaders to have any obligation to reflect their political opinions in decisions to donate funds in support of political candidates or issues. At the very least, a more compelling argument is necessary, one that explains why acts of political speech differ significantly from the ways in which the corporation secures its best interest in other arenas, such as philanthropic giving and major business decisions. What basis do we have to think that fiduciary duty would bind the

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<sup>22</sup> For a more thorough explanation and more examples, see Windbichler (2001).

corporation's expression of speech in the marketplace any less than it binds all of its other actions?

These cases demonstrate that shareholders, like employees, lack a guaranteed or enforced right of voice within the organization. In the case of *Citizens*, the Court must be taking exit as sufficient for contestability of an organization's actions. However, contestability is not only about the right to exit. It also concerns the degree to which members can change the organization from within. In the case of political speech, this entails having a secured means of dissent and an effective means of shaping the decisions that directly pertain to the shareholders.

### 1.7.2 Shareholder Primacy and Silencing of Other Stakeholders

The idealized notion of shareholder control and shareholder activism confuses owning shares with the running the corporation. The directors of a corporation should not be confused with its shareholders. Corporate directors and managers do not answer *completely* to the shareholders; rather, they have a fiduciary duty to do what is best for the long-term success of the corporation. Through the personification principle, by which a corporation is recognized as a legal entity distinct from its shareholding members, the law recognizes a conceptual space between its shareholders and the corporation itself. This principle also forms the basis for the limited liability of shareholders (Lan & Heracleous, p. 301). Additionally, if the case precedent is taken into consideration, there is a clear duty on the part of the corporation, or more specifically its corporate directors, to act in the best interest of *all* of its members.<sup>23</sup>

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<sup>23</sup> One may wonder if Lan and Heracleous are intending to make a claim about the nature of the law or about an ideal corporation. The answer is both; business and management theory often cite legal precedent in support of their corporate models. When the business/management theorists look to the law for a

It may, of course, be a good idea for the managers to keep the interests of the directors in mind (since the directors employ them), just as it may be a good idea for directors to keep the interests of the shareholders in mind (since the shareholders could vote them out); this is not the same as saying that either group (managers or directors) is *required* to hear the proposals of shareholders or that shareholders have a robust say in the actions of the company. What the Court has in mind, then, is an idealized model of shareholder activism and firm responsiveness. The Court presents “corporate democracy” as a procedure by which shareholders can openly debate about proposals and enact “legislation” with which the directors and managers would follow through.

This idealization of corporate democracy would more likely obtain if shareholders have the freedom to openly challenge management decisions and corporate decisions pertaining to political expenditures. Carried further this line of argumentation may give us reason to think that shareholders with enough power, such as institutional shareholders, might have the right kind of force (or at least enough voice) to *compel* firms to enact their expressed beliefs and plans of action. Drawing a parallel between shareholders and citizens in liberal democracies, we see that even if individual citizens lack the ability to compel government action, a powerful enough group of citizens has a better chance of doing so. Institutional shareholders, who constitute large unaffiliated blockholders of stock, are more centrally organized and have a greater chance of pressuring firms in their portfolios to enact changes (Smith 1996, pp. 231-32). However, institutional shareholders effect change through settlements and side-deals, *not* through

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metaphysical justification for the ideals they use as a basis for their business plans. Thus, an evaluation of the nature of the law is necessary to make sense of corporate models.

the democratic process of bringing proposals to proxy statements and soliciting a majority of shareholders' votes.

Here we see where the analogy breaks down: institutional shareholders *do* in fact have a higher likelihood of having their proposals considered, but we also find that the mechanisms in place for proxy votes on shareholder proposals have, at best, questionable influence over the board of directors and manager initiatives (Hazen, 2006). Furthermore, fiduciary duty binds institutional shareholders to *their* members (see Gordon & Pound, 1993). In other words, institutional shareholders are not free to challenge corporate leaders in the way that general citizens are free to challenge the policy actions of governments; they are *explicitly* constrained by securities regulations and fiduciary duty.

According to the SEC rules, section 14A-8, which outlines the rules and regulations by which shareholders can place proposals on the company's proxy statement or add to the agenda at the annual meeting, a company can refuse to include proposals or refuse to implement passed shareholder initiatives for a number of reasons, two of which are most pertinent to considerations of political speech (Securities Lawyer's Deskbook, 1998). A company can expressly exclude proposals or refuse to implement passed initiatives if the proposal is made on behalf of a special/personal interest and not reflective of the long-term interest of the company as a whole (reason #4) or if it would interfere with the management functions or daily operations of the business (reason #7). This means that even individual shareholders coming together to stand in support of a given proposal are only allowed to have such proposals considered or implemented if they are in accordance with the standards of fiduciary duty as the managers and board of

directors understand it. Thus, shareholders are implicitly constrained by the same standards as management.

Both of these interpretations of the SEC rule undermine the Court's claim that shareholders would be able, or even have a right, to control the political speech of the corporation. The political strategies that are best for the corporation as a whole are not to be confused with the political sentiments of its shareholding members, and this difference limits the freedom and bindingness of shareholder initiatives. One consequence of such rules is that the difference in political opinion between the shareholders and political interests of the corporation allows corporate actors to dismiss shareholder initiatives as special-interest laden. Similarly, motions that arise from differences in political opinions between shareholding members and corporate management could just as easily be written off on the grounds that they would interfere with the daily operations of the firm, especially in cases where shareholder activism would result in higher transaction costs (e.g., supporting candidates or legislation that are pro-union, would raise corporate taxes, increase worker safety standards). This means that shareholder activism and control is quite limited, as is shareholders' ability to challenge the decisions of management when actions do not reflect their sentiments.

A deeper point can also be made about the Court's assumption that the shareholders are *the* members of the corporate association and *they* (and only they) are the individual citizens whose voice can be represented through corporate speech. This exposes an inherent difference between the for-profit corporation and other forms of associations, such as civic organizations, voluntary political associations, and PACs. It is specifically through the ownership of capital that this form of association is able to

operate; but for the shares of stock (i.e., the aggregation of assets of individuals toward the end of business transactions), the corporation would not exist.

Although this is true in a superficial sense, this second tenet of the shareholder primacy argument fundamentally ignores the contributions of a multitude of other stakeholders<sup>24</sup> who directly and indirectly make the large-scale enterprise possible. Against the shareholder primacy argument, one could claim with equal force that these stakeholders contribute to the existence of the corporate association just as much as the shareholders. With even more strength, one could say that it is specifically through the labor of the employees, the privileges of governments, and the resources of local communities that this form of association is able to operate; but for the investments of these stakeholders (i.e., the aggregation of assets of individuals toward the end of business transactions), the corporation would not exist.<sup>25</sup>

Two prior conditions would have to be met for the Court's claim that shareholders can regulate corporate speech to remain valid. First, it would have to be the case that the shareholders have, at the very least, a robust and clear Constitutional *and* corporate legal claim on the actions of the corporation. In short, the shareholding members of economic associations would have to possess a robust voice option. Furthermore, as political speech is, by its very nature, personal and special interest-based, shareholders would require a means by which to have their political opinions marked as special exceptions, thus distinguishing political speech from other forms of interest-based initiatives. Second, if we extend the Court's ideal model of representation to include a more democratic representation of group members, mechanisms would have exist for ensuring that

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<sup>24</sup> A few internal stakeholders include employees and managers, while external stakeholders include vendors, customers, creditors, governments, and local communities.

<sup>25</sup> This is another formulation of the stakeholder-interest argument.

corporate political speech was responsive to a wider constituency of stakeholders--at the very least, to employee members of the organization.

We are left, therefore, with disconnections at two levels of corporate governance. On the one hand, a conceptual gap opens between the interests and political opinions of the shareholders and those of the corporate directors. That is to say, there are clear breaks in the degree to which the authority to speak is centralized in the way the Court implies. On the other hand, a second conceptual gap opens up between the interests and political opinions of the employee members of the corporation and the corporate directors and shareholders. Although in some cases the individuals' views connect or overlap with the political speech acts of the corporation, such as might be the case in many Organic firms, this should be considered a happy coincidence; there are no mechanisms that connect the two. As such, economic associations do not act in a way that mirrors the vision of associations put forward by the Court.

Without a direct, clear, and protected relationship between the managers, shareholders, and employee members of economic associations, we are left with an undemocratic representation of individual citizens; managers and leaders of corporations do not in general directly "represent" the shareholders or employees in the same way that elected public officials represent their constituents. Furthermore, shareholders, the members recognized by the Court as having the right to political speech in economic associations, lose the ability to meaningfully initiate political speech that mirrors their own sentiments within the association. Additionally, this ruling fails to address the concern that dissenting or minority shareholder voices may be silenced, as laid out in *Bellotti* and *Austin*. In the final analysis, it seems that corporate political speech in the

manner set forth by the *Citizens* decision curtails the freedom of expression, rather than protecting it, as the Court intended.

In this chapter, I have not expressly advocated for a particular representation of economic group agents in jurisprudence. Rather, my objective was to demonstrate how the misrepresentation of the connections between group members and group opinions (e.g., political speech) results in limitations in personal freedoms for group members and individual citizens more generally. By illuminating the contrasting representations of corporate design, member beliefs, and corporate action (i.e., political speech), I have exposed some of the constraints actual systems (corporate law) place on idealized theories (constitutional law) of group agency.

In the next chapter, I will look more closely at how particular kinds of firms make decisions and which decision-making processes give rise to distinct group intentions and actions. The analysis of group decision-making processes as it relates to group agency will act as the foundation for the third chapter, where I will argue that economic group agents are encouraged by capital market systems to develop strategic rationality, but discouraged from engaging in moral reasoning when such reasoning produces judgments that contradict strategic rationality. I will also offer a positive account of the necessary environmental parameters (incentive structures and external structural constraints) that would be encourage the development of virtuous group agents. As I will argue in the final chapter, changing the external conditions of development will not be enough to consider such group agents as full persons; it is a necessary but not sufficient condition. To be full persons, group agents will need to demonstrate their capacity to enter into and engage in a wider range of interactions; and this is where the limitations of group moral agency lie.



## Chapter Two

### The Metaphysics of Group Agents: Groups, Minds, Groups with Minds

*Groups display patterns of collective behavior that will be lost on us if we keep our gaze fixed at the individual level. And to lose sight of those patterns is to lose an important source of guidance as participants in a social world—List and Pettit, Group Agency*

#### 2.1 Introduction: Kinds of Groups

Microsoft *decides* to scrap new Zune models (TREFIS TEAM, 2011); but one can rightly ask *who* is the agent here that is Microsoft? The board of directors? The employees? The shareholders? Wal-Mart is *charged* with sex discrimination (Savage, 2011); does this mean that the legal persona we call “Wal-Mart” committed acts of sex discrimination, or does this mean that individuals within Wal-Mart displayed systemic discriminatory behavior against women? Mobs *protest* in Wisconsin (Rubin, 2011). When the mob causes damage to public property, is it the group we blame or the individuals who engaged in the protest? What consequence arises from viewing the mob as anything over and above the individuals who engage in protest? In these examples, references to the collective are not necessarily references to group agents, but constitute a particular way of grouping the actions of individual agents.

We often speak colloquially of group action as shared action, that is, as action that depends on the coordination between persons: we take a walk together (Gilbert, 1997), they dance the tango (Bratman, 1993), and Finns go to the sauna every Saturday night (Tuomela & Bonnevier-Tuomela, 1997). There are clear cases of groups being able to do things that individuals cannot do on their own (e.g., one cannot riot, sing a duet, or dance

the tango on one's own). When individuals act in concert to perform group actions, are they simply conjuncts of individuals or something more? Is the group, over and above the individuals making it up, an agent in its own right?

On the one hand, a pair of dancers could not tango apart, but describing the pair as an agent over and above the individuals seems superfluous. On the other hand, describing a large corporation as a collection of individuals does not seem adequate when such a description fails to fully explain how that corporation's actions play out in the world, or how to attribute responsibility to group members when their actions do not map onto the actions of the group. For example, when a bank has instituted a series of policies and procedures that result in over-investments in subprime mortgage markets, we might be able to describe the action as resulting from decisions of individuals within the company. This description only tells us one side of the story. As discussed in the previous chapter, when the collective action is the result of a system that compounds human actions, describing the action at the level of the collective gives us a conceptual framework to understand group behavior in a way that reference to the actions of individuals alone does not.

The general aim of this chapter is to provide an overview of the types of organized group actions explained by different contemporary philosophical frameworks, the kinds of group action these theories do not account for, and how the picture of group agency they present is unsatisfying. More specifically, this chapter aims to fill out the account of what capacities these kinds of groups are capable of exhibiting, and the extent to which these capacities enable the group to function as a moral agent in the world (i.e.,

understand and engage in moral reasoning, make promises, and be held morally responsible for its actions).

To begin this chapter, I raise two questions: First, if some groups might be the kinds of things that *could* be agents, what is the difference between these kinds of groups and other kinds of groups? Second, when might it be useful to describe a group as an agent distinct from its members; this is to say, to understand it as if it were an entity capable of reasoning and acting in accordance with practical rationality? I will take up the second question by analyzing List and Pettit's recent work on group agents, and the kinds of decision-making processes that produce group agency. Getting a grasp on these two questions will also serve to narrow the scope of the investigation and bring into focus how we might understand the role particular structural variables in augmenting group agency.<sup>26</sup>

I begin by examining collectives more generally. From there, I will turn to demarcating the space between groups of discrete individuals who (sometimes) act in concert and structured groups (i.e., collectives). I will work with the definition of a "collective" as "an entity that has persons or other collectives as members" (Copp, 1984, p. 249).<sup>27</sup> Furthermore, I begin from the assumption that if group agency exists, it does so within the confines of a collective.<sup>28</sup> We could press this assumption and ask, what is the relationship between collective action and group agency? In replying to this question, we should distinguish between the theoretical goals of the joint intentions and collective

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<sup>26</sup> Chapter 3 will focus on why external constraints present in capitalistic business environments limit the ability of these kinds of agents to enter fully into the space of obligations. The end of Chapter 3 will be devoted to exploring what kinds of social structures would be necessary for List and Pettit-type group agents to emerge and function. This will, consequently, call for a modified account of corporate responsibility and interpersonal/intrapersonal group identity.

<sup>27</sup> This definition is broad enough to encompass non-human members.

<sup>28</sup> This is a necessary but not sufficient condition.

action literature, and explain how this relates to understanding collectives as group agents. In doing so, we can begin to get a clearer sense of how group agency can function within the broader social and institutional framework, and how it is directly related to questions of joint intentions and collective actions, but also importantly different.

### 2.1.1 Collectives and Group Agents

Collectives can be understood as the building blocks of our social units. They participate in the processes that teach us our social norms, customs, laws, etc. When collectives establish patterns that are relatively stable, they create systems of organizations that form social institutions. Jonathan Turner explains that social institutions are “a complex of positions, roles, norms and values lodged in particular types of social structures and organising relatively stable patterns of human activity with respect to fundamental problems in producing life-sustaining resources, in reproducing individuals, and in sustaining viable societal structures within a given environment” (1997, p. 6). Different kinds of collectives, then, help to coordinate between individuals and social groups to solve distribution problems, supply goods and services, and enable individuals to live fulfilling lives. Additionally, collectives, as part of the process of socialization, contribute to the normalization of behaviors, and consequently, are a structuring process in our ability to be self-reflexive autonomous agents. How we represent these groups and use these representations to model organizational arrangements, is one of the ways in which we perpetuate systems of interaction.

Representing and understanding the group as an agent, distinct from the group’s members, gives us a starting point to form different expectations of groups’ capabilities. This kind of representation recasts the decision-making processes in the group as a means

by which *the group* comes to know things about the world, forms intentions, and acts on the basis of those intentions. When we recognize the product of this decision-making process as stable and responsive to reason, we are representing the group as a kind of agent. The ability to represent group behavior as agential opens up a conceptual space of engagement where two different kinds of agents are engaging with one another; individual persons and the group agent itself.

With this shift in representation, and the possibility of engaging with certain kinds of groups differently, comes the ability to understand the role these kinds of groups play in social institutions. As a kind of agent, these kinds of groups are not merely reflecting the will of the members; something different is going on. Inasmuch as we value the possibility of influencing the reflexive dynamics that perpetuate social institutions, understanding how the scale of organization structures and possibilities of organization capacities will open up the possibility of purposively altering the course of those dynamics toward particular systems of organizations. Thus, getting a grasp on what kinds of group agents are currently within the systems of organizations that make up social institutions is the first step in determining the possibilities for group agency in general.

### 2.1.2 Collective Action and Group Agents

The primary characteristics that distinguish a collective from a mere group are its level of complexity and its organization. That is to say, a collective is not simply the aggregate of individuals that may be serendipitously performing the same action (e.g., everyone opening their umbrellas at the same time; everyone dashing toward the metro car, Finns going to the Sauna, or teenage girls wearing miniskirts). Organized collectives and associations form around a given purpose or goal (of which members are aware to

some degree), have structures shaped by internal and/or external standards of inclusion (i.e., membership conditions), and involve different levels of planned coordination with the expectation of satisfying their goals. Getting a grasp on how groups act and how these actions might be similar to or principally distinct from the individuals who make them up begins by exploring the mereological map of the land.

The joint action literature focuses on explaining how people act together to give rise to collective outcomes (see Gilbert, 1997; Bratman, 1992b, 1993, 2009; Pettit & Schweikard, 2003; List & Pettit, 2011). When collective outcomes are planned and coordinated, we can say that they involve joint intentions. Joint intentions are a subset of the broader category of joint actions. People acting independently, without any forethought or intentional planning, routinely give rise to collective outcomes. Even when people are acting independently of others, they are still acting intentionally. Thus, as Pettit and Schweikard argue, we have three main families of problems addressed by the joint action literature:

The *I-to-we issue*: can I as a separate agent be rationally moved to think in we-terms and act as the member of a plurality? Or is the shift to we-thinking essentially subrational?

The *we-as-acting issue*: is the primary intention in joint action an intention that we do something together, acting as one? Or is it an intention on the part of each to do his or her bit?

The *we-as-intending issue*: is the primary intention a single state of ours, intending as one? Or is each of us moved only by a separate, individual intention? (2006, p. 20)

Michael Bratman, Raimo Tuomela, and Christian List and Philip Pettit put forth three different accounts of how to respond to each of these three main families of problems. When taken together (but not jointly) these three accounts seek to explain a considerable assortment of group actions by appealing to the intentional states of

individuals making up the group. Bratman takes up the task of describing social action from basic cases of small groups acting in coordinated ways.<sup>29</sup> From these smaller-scale models, the eventual aim is to be able to scale up to explanations of larger, more complex group structures. Bratman explains joint intentions, the fundamental building blocks of joint action, through reference to the mental states (planning states) of the individual members. Planning states have to be endorsed mental states that aim at the joint intentional action, which are also referred to as shared cooperative activities. Tuomela seeks to explain social level collective action through reference to the mental states of individual members of a group that do not require intentional endorsement of the practice *as a jointly intending* practice. Tuomela suggests that shared collective action necessitates the acceptance of similar mental attitudes.<sup>30</sup>

Tuomela's "we-attitudes" seek to explain the perpetuation of social practices.<sup>31</sup> Such mental attitudes are much weaker in their content than a fully endorsed belief; one must merely accept the role-based attitude, but need not actively or fully believe the content of the proposition. Unlike Bratman, who claims that all members of a group hold a belief to do their part in completion of the group action, Tuomela holds that shared cultural backgrounds and institutional arrangements are sufficient for group-level actions that display something like agency. Such group intentions require acceptance, but not reflective endorsement.<sup>32</sup> Thus, it is entirely possible for a wide range of groups to hold

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<sup>29</sup> A few examples of such basic cases discussed throughout Bratman's writings are painting a house, dancing the tango, singing a duet, and going to New York together.

<sup>30</sup> Tuomela distinguishes between belief and acceptance in "Belief versus Acceptance" (2000). He rejects the claim that acceptance of propositions entails belief (p. 10).

<sup>31</sup> A few examples discussed throughout Tuomela's writings are economic/financial practices based on notions of money, acts of social imitation, or cultural norm following (putting up a tree and decorating it during a certain time of the year, Finns going to the sauna).

<sup>32</sup> In a weaker sense, reflective endorsement is akin to the attitude being warranted, where the attitude supports actions aimed at some good. Reflective endorsement can be used in a strong sense if we require

collective intentions as the basis for actions without *believing* the reasons for actions to be true; the members can act as if *x*.

Group agency, for both Bratman and Tuomela, results from the coordination and shared information amongst group members. This is to say, both theorists talk about group actions independent of the structural constraints (e.g., regulatory frameworks, social expectations of group functions) on social groups and group actions. Rather, they want to focus only on what I call agent-side factors as a means to strip out the noisy factors that structural variables, such as authority or power relations, might bring into group actions. In doing so, their accounts build explanations of joint action and agency into the mental states of individual actors.<sup>33</sup>

List and Pettit, building on Pettit's earlier work on group agency, narrowly tailor the kinds of collectives that have established mechanisms that allow the group to self-regulate. Groups of this kind may be organized as jointly intending collectives, but they need not have such a demanding model of member interactions. List and Pettit define group agency as members acting together "for the achievement of one result in particular: the construction of a centre of attitude and agency that satisfies the usual constraints of consistency and rationality in adequate measure" (Pettit & Schweikard 2006, p. 18). These groups, such as a team of flight deck personnel (see Weick & Roberts, 1993), must be stable and function with a high degree of accuracy to achieve the organizational goal. These efficiency demands result in organizational structures that produce group reasoning

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the threshold for rationality to entail the employment of certain other capacities, such as employment of the Categorical Imperative (Korsgaard, 1996) or, from an Aristotelian view, "the point of view of life as a whole and how that life accommodates all goods found by the agent to be intrinsically important (finality and self-sufficiency" (Harris, 1999, p. 97). An exploration of when and how an attitude is sufficiently rationally endorsed is largely outside the scope of this project.

<sup>33</sup> This is what Bratman means when he says that planning states are internal to the actors and are not dependent upon or embedded in social institutions (1993, pp. 98-99).



and decision-making. By identifying the necessary organizational structures that enable group agency, List and Pettit help explain why the more general accounts of joint actions as forming a network of individual action fail to represent and predict the behavior of these kinds of collectives. In doing so, List and Pettit add another dimension to the joint action literature, one that better explains the kinds of group actions that Bratman or Tuomela's accounts cannot easily explain.

## 2.2 Bratman's Complexity Ceiling

Bratman develops his account by differentiating intentional states from other dispositional states, such as beliefs or desires (see Bratman 1984, 1992a).<sup>34</sup> Intentions, for Bratman, are mental states used explicitly to simplify one's reasoning for planning purposes (1992a, pp. 4-6). Shared intentions underlying joint actions are part of the framework agents use to plan present and future action. Intentions "help to organize and to unify our intentional agency in ways to some extent [that are] analogous to the ways in which the intentions of an individual organize and unify her individual agency over time" (1993, p. 99). The content of the individual's intentions is the common knowledge claim of the other "to intend that we *J*." In Bratman's words, "our shared intention to *J* will appeal to your and my intention that we *J*" (1993, p. 102).<sup>35</sup> In addition to mutually referential intentions, joint action for Bratman must satisfy the following conditions:

- 1) There exists a mutual intention of P and Q to J;

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<sup>34</sup> Bratman moves from talking about intentional states in his earlier work (1983, 1984) to talking about intentions *simpliciter* (1992a, 1992b, 1993). Bratman's earlier projects focused on distinguishing intentional states from beliefs and desires as a means to put forth a new account of action that did not reduce intentional states to complex desire-belief states (contra the desire-belief model). He shifted from arguing against the desire-belief model to explaining different kinds of actions and the limits of planning as a form of practical reason. Although he does not address this shift directly, the shift in word usage coincides with this shift in focus. For ease of tracking I will only refer to intentional states, rather than intentions, when I am discussing Bratman's earlier work.

<sup>35</sup> Bratman defends his account against claims of vicious circularity in "I Intend that we *J*" (1997, pp. 55-61).

- 2) The meshing sub-plans of the intentions of P and Q are in accord;
- 3) There exists common knowledge on the part of P and Q regarding 1 and 2 (1993, 1997, and 2009).

This account is designed to focus solely on particular sets of individuals involved in group action. By tracking only the variables that rely on some particular set of individual persons rather than others, Bratman front-loads his account to assume that all groups will be of the same kind. Specifically, Bratman treats all groups as if they are conjunctions of the intentions of the individuals engaged in the joint action(s). In addition to sharing a common end, each member of the jointly intending group must make their plans for engaging in the shared co-operative activity explicit; this is the common knowledge requirement. But what happens if we run into a group that functions *without* such common knowledge conditions being met? If we are restricting the possibility of group action to those groups that can share intentions in the way described by Bratman, this restriction also seems to limit the explanatory power of his analysis to only small groups; that is, those groups that operate through intimate coordination, where the action only involves the specific agent(s) referred to in the intentions of the other(s).<sup>36</sup> This severely limits the kind of joint intentions and joint actions the agents can engage in to static, environmentally isolated actions. For example, we might be able to dance the tango together, but can we open a business together? It may seem that the two are not that different, but if we look more closely at the structures and, more importantly, at what it takes to establish and maintain those structures as complexity increases, something more

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<sup>36</sup> As I will discuss later, this account, when it is used to inform models that predict and explain group behavior on a larger scale, has normative and practical consequences. This undermines Bratman's ability to claim *complete* neutrality on the matter.

than intentionality is needed to maintain coherent (organized), goal-directed, group-level action.

The kinds of examples discussed by Bratman are those in which the primary binding vehicle of the activity we are able to observe is the shared intentions of the participants. Furthermore, the examples do not explain the importance of shared systems of support that directly and indirectly result in the processes of planning and the phenomenon we observe. Can we describe the shared activities of running a bank or a restaurant using *only* the conceptual tools Bratman gives us? Do we really want to say that the vendor supplying the restaurant with food and equipment is participating in a jointly intended project of the food organization? Although this may sometimes be the case, it seems that many employees, customers, and supporting social structures do not engage in what we can properly call shared cooperative activities.

Even in cases where conditions of joint-intentionality are not met, when the right kind of organizational structure obtains, organized, rational, goal-directed<sup>37</sup> group action can be achieved without the joint intentions of the individual members (List & Pettit, 2011, pp. 32-35). Looking at a few examples may help to draw out the significant differences between the kinds of groups that depend to a greater or lesser degree on the intentionality of the actors within the group to maintain the shared cooperative activities (e.g., dancing the tango, painting a house) and other kinds of groups--in particular, the kinds of groups that require the shared intentions of their members to maintain agential capacities, the kinds of groups that require more than the shared intentions of its members, and the kinds of group agents that do not depend on the shared intentions of the group's members to any significant degree.

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<sup>37</sup> In List and Pettit's project, goal directed corresponds to propositional truth-tracking.

For us to dance the tango together, that is to say, for our action to count as a jointly intending venture, the dancers must make explicit the conditions under which the tango will be danced. We might imagine that the pair discusses who will lead, where the dancing will take place (the living room or the dance floor), which musical accompaniment they want to dance to, etc. The structural components, which determine the conditions under which two people count as dancing the tango, play a weak framing role in the shared cooperative activity of tangoing. In other words, the only necessary criteria for the joint action to count as such are the shared intentions of the dancers; the external factors shape the action (e.g., the music playing, other obligations the dancers may have, and the social norms governing the context in which they are dancing the tango), but do not constrain the shared cooperative activity.

In contrast, the functions of a large corporation, such as United Healthcare (UHC), provide a different type of joint action scenario. UHC employs 75,000 people, and the member-set of employees, shareholders, directors, and vendors is constantly in flux. Even if it were possible that they could all satisfy Bratman's requirements for sharing a group intention, the way that this sort of group comes into being and acts is *not only* about the internal intentions of the group members. Rather, the function of corporations, and similar organizations, is better explained by reference to the *organization structure*, not to the intentions of the members. The importance of the internal structure of the organization is its role in the development and maintenance of a collective that can function as the basis for members' common knowledge, which enables the organization to withstand members whose sub-plans do not mesh, and deal with turnover in member association and open-ended and ongoing interactions with

unspecified agents (e.g., other social institutions, other organizations, and individual persons).

There is, however, a fair amount of overlap between the conditions for sharing intentions as the basis for actions and what happens in other kinds of collectives. When we consider opening a business together, the initial member-set may be similar (i.e., it only takes two to open an LLC), and the individuals that want to incorporate must share an intention to file the articles of incorporation; but as soon as corporate operations are off the ground and the collective begins to change in structure, the similarities correspondingly diminish. In some cases of genuine group agency, the similarities between these two kinds of group action cease altogether.

This flexibility and propensity to change in organization membership and structure can be understood to be a by-product of the kind of relationship the group has with its parts, as well as the reason why Bratman's analysis cannot provide explanations for these kinds of group actions. The group may be dependent on its members in a superficial sense; the members *do* keep the body of the corporation alive. On the other hand, this kind of group has an existence distinct from its members; it has needs of its own. Businesses need customers to buy their products, vendors to supply goods, distributors to deliver products, and local governments to guarantee that contracts are fulfilled. As the number of agents involved makes the common knowledge requirement difficult to satisfy, we begin to create structural mechanisms, such as policies, procedures, and formalized agreements enforced by regulatory bodies, to ensure coordinated group behavior; we stop relying on our shared intentions forming the basis of group action. This is not to say that group agents could not involve jointly-intending

individuals, but the intentions are not what are doing the work. The content of the intentions of agents involved in these larger scale groups can still be called joint intentions. What makes the implementation of group structure (i.e., the formalization and externalization of the content of the individual intentions into a non-human medium) that individual agents work with (and could not complete the activity without the aid of) any less of a joint intention? In an attempt to answer this question, I will explore what variables *can* change this kind of shared cooperative activity into a form that outstrips Bratman's analysis. I will start by describing the kind of business operation that Bratman's account captures, and continue by adding structural complexities that mirror the non-ideal reality of business operations. My aim in doing so is to make explicit how structural variables, particularly the standardization and formalization of processes, alter the interactions within shared cooperative activities such that the group actions become different in kind from the shared cooperative activities Bratman is concerned with.

My example will begin with Peter, Mary, and Susie, who run a small independent record store, PMS Records, a company that functions as an Organic firm. Peter handles the billing, Mary interfaces with the customers, and Susie travels around the country finding new and interesting indie records to stock the shelves. Each agrees on what the others' roles will be, each must act in coordination with the others if they want the enterprise to continue, and each publicly agrees, intends, and acts as decided. As their business grows, Jake and John join the ranks. Jake and John then decide to get married, move to Canada, and eventually branch out to open their store. Both stores are considered part of the same company: Is the business venture still a shared cooperative activity? Has the addition of more people changed the joint intentions? Let's push the boundaries a bit

more: the company is now ten years old and has expanded to five locations in four states. PMS Records employs vendors across three continents, interfaces with customers online, and outsources their billing to India. How are these complex group activities sustained? Explanation only at the level of the individuals coordinating within the group seems insufficient.

Likewise, it seems simplistic to say that the only difference between these cases of group activity is the scale of activities or the passage of time, or that the only thing making up the interactions is the coordination of individual *intentions* in the “right way.” Rather, the role of the internal organizational structure of the group increases in importance because the standardization and formalization variables of the firm indicate corporate intentionality more accurately than the combined intentions of the individuals in the group. As groups become more complex, that is to say, as individual member’s roles within the group are set up in such a way that the members do not take their intending to *J* in the strong sense of satisfying the explicit individual intentions and shared knowledge conditions, Bratman’s theory loses explanatory force.

Bratman’s complexity ceiling occurs at the level of group action that depends on the structural mechanisms of organizational design more than on the joint intentions between members. The organizational structures are a necessary part of group actions to occur. Even when members do not jointly intend to *J*, they are what enables corporations to engage in economies of scale. I take it that Bratman’s account runs into a complexity ceiling quite quickly; specifically, as soon as a shared intention or action becomes ongoing and the organization configuration becomes highly structured. Tuomela’s

account might offer us a modified version of joint intentions that is able to explain large-scale group actions.

### 2.3 Tuomela's Structural Passivity

Tuomela aims to “somehow carve the social world at its joints to achieve a workable classification of collective action,” by building an account of social action that works with a broader definition of a collective (Tuomela & Bonnevier-Tuomela, 1997, p. 1). Tuomela's definition of collective social action is that which “entails, roughly, that several persons are somehow involved and ‘social’ entails that the actors’ reasons for acting must refer to other actors or to some other social—i.e., institutional—factors” (p. 2). Tuomela expands the picture of social actions to collectives embedded in a social context and uses this shared context as a basis for coordinated social activities. He reevaluates the concept of belief motivating actions, in part, because he seeks to explain “actions involving several agents exercising *their* agency” and not specifically joint intentional action (Tuomela, 1997, p. 2).<sup>38</sup> These sorts of actions are what he calls “thin cases [of] joint or collective commitments generated by joint intentions” (Tuomela, 2005, p. 346). Since Tuomela is starting off with more complex activities at the level of collective behavior, and his level of individual member involvement is much less dependent upon members’ jointly intending to *J*, his account could more fruitfully explain larger scale coordinated group actions.

Tuomela's analysis focuses on group actions that do not require joint intentions of group members. One example he discusses requires the acceptance of the claim that squirrel furs are money in a social collective. In the case of we-mode acceptance and resulting acceptance belief, the collective will share the content (i.e., for them it is correct

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<sup>38</sup> Emphasis added.



to assert that P and to act on P in group-related activities); they are entitled to assert, “We believe that P.” Furthermore, when agents employ the we-attitudes, they must be collectively prepared to sanction each other and to be sanctioned by the others (2000, pp. 12-13). Other examples he discusses are teenage girls all wearing miniskirts, Finns going to the sauna on Saturday nights, etc. These kinds of acts, Tuomela claims, are supported by socially held collective attitudes that are carried out without reflective belief in the content of the attitudes.

From the outset, the kinds of actions that might display something like group agency are not people displaying similarly minded actions on a large scale, but distinctly organized action as part of a more exclusive collective. Turning to the example of the business organization, it seems the kinds of group actions Peter, Mary, and Susie perform are more than a thin collective commitment. Their intentions were made public, they voluntarily accepted their roles in relation to one another in pursuit of their jointly intended goal, and they exercised group actions.<sup>39</sup>

Returning to the example of the firm that has a higher degree of standardization and formalized processes, Tuomela’s account fills in more of the story about how we can describe the connections between the greatly extended and loosely bound collective making up the company. When we situate the company in the context of organizational structure, Tuomela gives us the conceptual tools to explain how the individuals are connected in the right ways to thinly commit<sup>40</sup> to the goals of the collective (i.e.,

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<sup>39</sup> What Bratman would call shared cooperative activities.

<sup>40</sup> Thin commitment, for Tuomela can be understood as committing to the actions (voluntarily accepting the role, pressing buttons, etc.) without endorsing the ends of the organization as their own. For example, I could be hired by Bank of Shamerica as a bank clerk, thinly commit to the organizational goals associated with my job (depositing checks, giving folks money from their accounts, helping people fill out paperwork) without endorsing the organizational aim to be the largest bank in the United States (or any other general organizational goal).

continued success of the company).<sup>41</sup> This, in turn, might tell us something about why they join collectives more generally, but not how these thin commitments translate into group actions in an interesting way. The problem with Tuomela's account is similar in kind to the problem with Bratman's account: both treat the structure as if it plays a passively framing role, not a direct causal role in the production of group action.

Part of what seems to be missing in the accounts of Bratman and Tuomela is a more thorough analysis of the dynamic interactions between the individuals within the group and the group's structure. Even in smaller scale organic firms, the organization's configuration dictates how members will be able to engage in shared intentions, how they will interact with one another, and the degree to which individuals need to commit to the actions of the group to achieve organizational goals. Within highly structured groups, the organization structure and decision-making processes do not merely frame the situation; they are essential to the group becoming and functioning as an agent. If the agency of the group arises not simply from the members of the collective, but also from the way the group is structured, how are we to understand when and how the structure itself changes the agency of the individual members to produce group agency? Did the members of the group function together to make group-level decisions that were distinct from the attitudes or beliefs of any one member? If so, does this undermine the group action as collective action? How much does the stability of the large-scale group depend directly on the individuals making it up *in the same way* that Peter, Mary, and Susie depended on each other to be in business? If there is a conceptual space where the group actions are distinct from the members, whom do we hold accountable for actions committed on

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<sup>41</sup> Success is framed in a myriad of ways; for our purposes here, success means maximizing output (where output can also be measured in a variety of ways).

behalf of the group? Is it redundant to hold the group accountable when we also hold accountable the individual group members who contribute to the group actions in a significant way?

Taking a step back from the abstract characterizations of how people coordinate will allow us to look at the way group decision-making processes, which constitute one aspect of organizational structure, result in the manifestation of decisions that cannot be explained as a mere repetition of the group members' personal opinions. Independent of the beliefs or attitudes of the members, it is the group's structure and the way information flows through the structure that is essential to explaining group agency. By mapping this structure, we can pinpoint what kinds of decision-making processes are capable of more than merely producing heterogeneous group beliefs and judgments. List and Pettit claim that some groups are capable of internal processes that replicate some of the cognitive capacities of human agents. These processes enable the group to make judgments about states of affairs and to act based on those judgments. Thus, List and Pettit claim, we can understand the group to function as a kind of agent. Although the group agent is not locationally similar to individual persons,<sup>42</sup> the group agent is recognized by the institutional framework and is able to engage with other individual persons and social institutions.

List and Pettit's account aims to explain the presence of these kinds of group agents in a variety of corporate forms, including nation-states, political organizations, religious organizations, and business firms. Although I grant that explaining the *logical*

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<sup>42</sup>In that there is no "there" there; the personhood of group agents is quite different from the personhood of other individuated agents. I cannot point and declare, "There's Bank of America" in the same way I can point and declare, "There's Emre." The latter has a specific reference that has to do with a given body in space and time; the former does not.

*possibility* of group agency in a plethora of corporate agents may be plausible on their analysis, I hold that we need a more nuanced discussion about how we can constrain the development of each kind of corporate agent. The organizational structures and real-world systems of constraint for each kind of corporate agent have a particularized history. For example, the juridical representations of democratic decision making inform how we develop legal constraints in order to bring about democratic governing bodies. Likewise, the neoclassical economic representations of firm function inform how we organize business organizations. The histories of different kinds of corporate agents will come with varying degrees of transparency, making some kinds of corporate agents easier to analyze at the level of the interrelations between social representations of the group and systems that control group functioning. As each kind of corporate agent will necessitate its own personalized analysis of how we, in this world, can use a theory of group agency to develop more ideal group agents, I will focus on economic group agents (i.e., business firms).

## **2.4 Expanding the Scope of Group Capacities: List and Pettit's Theory**

List and Pettit develop an account of the kinds of groups that may be candidates for group agents. On their functionalist account, they explain group agency by first looking at what groups do (i.e., their actions in the world), and then describing how the inputs from individual members of the group produce this phenomenon. Starting with the aggregating decision function, which is the process whereby individuals input their beliefs and opinions (or data) to make collective judgments that act as the basis for group decisions and actions, they argue that a group might have a “mind of its own” when the inputs of the system produce group decisions and actions sufficiently distinct from those

of the members. For example, if the board of directors of firm  $x$  is determining which candidate to hire as the Chief Executive Officer (CEO), the process that they use to make the collective decision is a kind of aggregate function. Taking into consideration the rationality requirement groups must meet to be candidates for group agency, the type of aggregate function that might produce consistent and coherent group decisions and actions will be highly standardized and formalized within the organization structure.

Through the aggregate decision-making process, the group is able to consider statements upon which they make judgments, and these judgments function as an expression of the group's intentions. These statements are reflective of states of affairs in the world, and the members input data about the group's external environment in such a way that the group, through its decision-making process, forms representations about the world. After group judgments are made, the group members act in such a way as to purposively effect change in the world in accordance with the group's intentions. The group must also have an error detection processes to determine if it is satisfying its intentions, adjust its plans in light of changes in the world, and determine the degree to which it is truth-tracking.<sup>43</sup>

When these conditions are met, List and Pettit argue that a phenomenon results wherein the group displays rational judgments (coherent judgments that do not logically contradict), reasons about the world, and changes its mind. In this case, the group's mind, or the group's mental states, are multiply realizable; there is a higher-level description of group processes in terms of their causal role that abstracts from the group's lower-level structure. In other words, the group functionally exhibits the capacity of practical

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<sup>43</sup> We should expect such possibilities when the aggregate function works with a high level of effectiveness; that is to say, when the member input and aggregate function is able to process judgments that display rationality and logical consistency in judgments, it is working effectively.

reasoning. This ability, the ability to engage in practical reasoning, is what enables particular kinds of groups to be considered agents. Moreover, with the ability to engage in practical reasoning we would expect the group to display means-end coherence and persist through time (be a stable agent).<sup>44</sup> The kinds of organization structure that could support these kinds of requirements would be those that have a high degree of standardization of procedure and a high degree of formalization, but not a highly centralized decision structure; such would be the case in a factory firm, a bureaucratic firm, or a hierarchical firm.

#### 2.4.1 Taking Group Agency Seriously

List and Pettit recommend that the way to “see” groups as agents, and not merely as a collection of individuals, is to alter our representation of the group action. Instead of only looking at the “parts” (individual group members) and explaining the group action in terms of how the individuals are joined together, they suggest representing the corporation<sup>45</sup> as a collective agent.<sup>46</sup> However, List and Pettit argue that we are justified in endorsing these kinds of representations about groups because they accurately depict

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<sup>44</sup> Human agents (i.e., persons) can experience a range of mental states that even the most complex group agents cannot track with the group’s aggregate decision processes. Even if we *could* explain the cognitive processes of group agents by taking them to be exactly equivalent to their human counterparts, I take it to be noncontroversial that group agents do not experience the full range of mental states human agents do. For example, group agents, such as Microsoft or Wal-Mart, do not *actually* feel pain, get hungry or angry, or become sexually aroused.

<sup>45</sup> List and Pettit use the term corporation to refer to a range of organized collectives, including churches, states, business firms of various kinds, and voluntary political associations (e.g., teacher’s union, Democratic Party). Since my analysis is limited to economic group agents, my use of the term corporation should be read more narrowly to mean only economic organizations.

<sup>46</sup> List and Pettit use the language of the ‘intentional stance’ to argue that part of adequately accounting for group behavior (before we can suggest novel ways to interact with it, hold it responsible, or structure it differently) means seeing it as the sort of entity that might exhibit intentionality (p. 23). I, however, will keep it simpler and make reference to the representation of the group organization and design. The language of representation (i.e., the description or portrayal of something being a particular way) gets the theoretical work done just as well.

facts about the world. Thus, they argue that their account defends an epistemic realism<sup>47</sup> about group agents. This means that they take beliefs about group agents as sometimes true, and that these are made true by stance-independent facts and properties about the group itself. In accordance with the realism about the group agents they are endorsing, List and Pettit present an explanation of collective action in terms of the aggregation of individual decisions. They call their approach “individual holism.”

The sense of individualism they ascribe to simply means that, “as the agency of individual human beings depends wholly on the configuration and functioning of biological subsystems, so the agency of group agents depends wholly on the organization and behavior of individual members” (2011, p. 4). List and Pettit distinguish their account from classical accounts of collective aggregation decision making,<sup>48</sup> which hold corporate agents to be a means by which group members can off-load responsibility to an empowered individual or democratic process, by arguing that group agency requires the group to have a mind of its own. When individuals are members of organizations, and these organizations contain certain internal structures, the actions resulting from the group are not “a systematic function of the attitudes of the members” (List & Pettit, 2011, p. 10); this is the sense of holism they want to build on.

List and Pettit’s endorsement of individual holism stems primarily from a concern to avoid a metaphysically “spooky” notion of group agents in which the group somehow

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<sup>47</sup> While List and Pettit do not distinguish epistemic realism from realism broadly construed, it would follow from their commitment to avoid a “spooky” metaphysics that they limit their discussion of realism to the idea that what one *knows* about an object exists independently from one’s mind.

<sup>48</sup> Among the theories they count as authoritarian theories of individual holism are those put forth by Hobbes, Locke, and Rousseau. I will not be making any claims about how well or poorly their depiction of these classical accounts of group action fit the mold of individual holism.

emerges from the individuals.<sup>49</sup> They believe individual holism allows them to avoid the position that an account of group agency “*requires* something above and beyond the emergence of coordinated, psychologically intelligible dispositions in individual members” (p. 10).<sup>50</sup> The decision-making process, which is the structural process that governs how information moves from individuals through the organization, is the mechanism that produces those group beliefs and judgments that are not explainable in terms of the individual member’s beliefs and judgments. Thus, the group’s beliefs and actions, while not simply a reflection of the beliefs of individuals in it, *literally would not exist* without the group members fulfilling their roles. In other words, what is appealing about individual holism is that it does not seem to require any other metaphysical properties apart from the group members, a particular kind of group structure, and an aggregate decision-making process to produce a group agent. The real explanatory work, then, begins by looking more closely at the necessary aspects of the internal and external variables that together produce group agents.

Even when systems of aggregate decision making seem to produce judgments that are consistent with practical reasoning, we still have to explain how this representation of the group (i.e., as a rational agent) can act as a model for decision-making processes within groups. That is to say, we still have to explain, if we want to promote group agency in organizations, how we can organize the decision-making processes toward this end. List and Pettit explain the more demanding organizational design epistemic, incentive, and control desiderata that will need to be met to ensure group agency. As we

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<sup>49</sup> Although this sentiment seems to rely on a problematic relationship between emergence and reductionism, I will largely sidestep this point, as an in-depth explanation as to why this is the case is outside the scope of this project.

<sup>50</sup> Emphasis added.



explore these desiderata, I will focus my analysis on the degree to which the kind of agency that arises in groups is the similar to the kind of agency we expect from human beings.

As I will argue in the next few sections and throughout the project, economic group agents are limited in the extent to which they can engage in moral reasoning. These limitations will come into focus when we look at the context in which group decisions are made about morally weighty considerations (i.e., questions pertaining to fairness, justice, equality). List and Pettit outline more stringent requirements for bringing group decision-making processes closer to a model that produce group moral reasoning, but I will argue that even when we satisfy their desiderata, economic group agents will still be limited to a kind of practical reasoning (not moral reasoning). Although the kinds of systems List and Pettit discuss may be *possible*, they are highly idealized. Given the external environment in which corporate agents exist, such an idealized account may not be *probable*.

#### 2.4.2 The Epistemic Desideratum, Rationality and Truth-tracking

A group agent's consistency is one of the qualities that distinguish it from a mere collection of individual judgments. We can determine a group's consistency by tracking its reasoning, which is measured and determined by whether group actions can be functions of an entity that persists through time with a coherent history of beliefs and desires even when significant changes to its members occur (List & Pettit, p. 32). If a group makes inconsistent judgments and acts in a way that contradicts its prior commitments on a regular basis, it would be difficult to understand the group level as engaging in practical reasoning reflective of rational engagement with the world. Without

consistency in judgments, those outside of the group would have a difficult time attributing rationality in decision making to the group agent. For a group to demonstrate rationality, it must have a decision-making process that aggregates the beliefs and actions of the individuals, considers them against the interests of the group, and enacts group decisions and actions that create changes in the world in a consistent manner (List & Pettit, p. 24).

By casting the reasons underlying the group attitudes and actions occur as products of the aggregate function, List and Pettit avoid the demand to have all the members of the group form and enact a single system of beliefs and desires or hold the group's attitudes as their own. It may happen that, more often than not, group agents have members that *do*, in fact, share the same beliefs as the group, and jointly intend to carry out the goals of the collective, but this need not be the case. What is necessary for groups to be agents is consistency in judgments and actions through information pooling and accuracy tracking (List & Pettit, p. 94), which is done in three ways. First, the group's organization must aim for attitude-to-fact standards, which ensures that group-level beliefs about the world are true and that actions aim to realize its ends. Second, the group's organization must aim for attitude-to-action standards, where the group designates some person or set of persons to function as "enactors" to program or carry out actions on behalf of the group. Third, the group's organization must aim to ensure attitude-to-attitude standards, where the group's organization seeks to uphold a coherent whole (List & Pettit, pp. 36-37). By getting clear on how these three standards of organizational rationality are built into the group's aggregating function, and the kinds of organizational decision-making processes that support this aggregating function, I will

have a starting point from which to analyze the ways these organizational structures encourage or block the development of moral group agents.

The primary aim of the aggregate function is to overcome the possibility of a discursive dilemma so that group decisions do not result in inconsistent judgments; this is the basis of the epistemic desideratum. A discursive dilemma is a paradox in social choice theory resulting from majoritarian voting procedures. The paradox is that aggregating judgments with majority voting procedures can result in self-contradictory judgments.<sup>51</sup> The aptly named paradox arises when majoritarian decision procedures result in group-level aggregated decisions that are inconsistent with individual decisions on the statements. The discursive dilemma is problematic because it gives rise to irrational preferences, which can result in incoherent beliefs between the members' expressed preferences and the group-level expression of those preferences. An example of a discursive dilemma is illustrated as follows:

Table 2.1 Discursive Dilemma in Majoritarian Decision-Making Processes<sup>52</sup>

<b>Discursive Dilemma In Majoritarian Decision Processes</b>	<b>Statement 'p' Increase Prices?</b>	<b>Statement 'q' Reduce Spending?</b>	<b>'p' or 'q' Increase prices or reduce spending (to ensure solvency)</b>
<b>Individual 1</b>	Preferred	Dispreferred	Preferred
<b>Individual 2</b>	Dispreferred	Preferred	Preferred
<b>Individual 3</b>	Dispreferred	Dispreferred	Dispreferred
<b>Majority</b>	Dispreferred	Dispreferred	Preferred

To overcome the discursive dilemma, the decision-making processes should aim to form beliefs that produce true, rather than false, judgments about the world (List & Pettit, pp. 98-100), compare these judgments to prior judgments, and revise decisions based on changes in the world. This will mean that the aggregating function, the group's structural

<sup>51</sup>For more on the discursive dilemma see List and Pettit (2004).

<sup>52</sup> I adapted an example based on the table in List and Pettit, p. 46.

mechanism that pools information from group members, must operate with a sufficiently high level of reliability, have access to states of the world, and be able to incorporate reasoning constraints. List and Pettit advocate implementing a straw vote decision procedure as one method for avoiding such inconsistencies.

As List and Pettit explain, a straw-vote procedure is a non-binding decision-making process that allows for sequential priority of previous decisions to constrain the possible avenues of new attitudes or group decisions. As the decision-making process is a premise-based decision procedure, wherein judgments that are made about the premises necessary for the conclusion are made separate from decisions about the conclusion, consistency is ensured when conclusions are constrained by past decisions on related issues. For example, if law makers are considering whether to build a school, they may agree that schools are important and that current schools are overcrowded, and they may also agree that they have the money and resources necessary to build a new school, but the judgments they make when they consider the question of building a school may or may not be connected with these previous judgments. By constraining group judgments by past decisions and related judgments, a straw-vote procedure is the most likely to ensure that group members engage in feedback and produce coherent, consistent decisions.

Through the process of feedback mechanisms to guarantee consistency in judgments, the group is also enacting a causal relationship between the individual-level decisions and the decisions that occur at the level of the group (List & Pettit, pp. 62-63). The internal structure, when composed to a truth-tracking and truth-indicating decision-making process, produces group behavior that reflects systematic perturbability (ability to

register and remedy inconsistencies), contextual resilience (ability to recognize abstract goals as targets and the different ways for realizing them), and variable realization (group attitudes are a causally relevant factor that programs group action, and group behavior displays itself in a way that is not easily an extension of nor easily reduced to the attitudes of individual group members). This method produces reliable judgments (List & Pettit, p. 94) that, in turn, stabilize the intentions of the group by ensuring that the inputs--the attitudes and beliefs of the members--result in the “output” of collective rationality.<sup>53,54</sup>

The straw vote decision-making process described by List and Pettit give us a starting point for how group information pooling can result in decisions that are stable and reflective of collective, as opposed to individual, intentions and beliefs. The next step in explaining the plausibility of redescribing organizations as group agents is to explain how people fit into this decision-making process. Specifically, we will need to fill in the story about how people are necessary for information processing, but explain why their beliefs do not affect the beliefs and decisions of the group agent.

#### 2.4.3 Spheres of Control, Rights, and Freedom

List and Pettit explain the relationship between the group’s intentions and the intentional states of the individual group members as a supervenience relation. They state that the supervenience relation “leaves open the possibility that while the ‘lower level’

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<sup>53</sup> As discussed in depth by List and Pettit, the satisfaction of all criteria of the epistemic desideratum runs into an impossibility paradox similar to Arrow’s theorem (p. 50). List and Pettit recommend relaxing the systematicity requirement to work as “a premise-based or sequential priority procedure to enable a group not only to form rational intentional attitudes but also to do so in a way that collectivizes reason” (p. 58).

<sup>54</sup> List and Pettit discuss the possibilities of decision design, including dictatorships, majoritarian voting (which gives rise to the discursive dilemma, discussed above), unanimous decision voting, and straw-voting procedures. For the purposes of this project, I will only discuss the discursive dilemma and why majoritarian voting procedures cannot adequately perform as an aggregate function to produce distinct group-level judgments and actions, and the conditions under which a straw-voting decision procedure is able to do so.

pattern determines the ‘higher level’ pattern, the higher level pattern may be realized in a number of lower level ways” (p. 65).<sup>55</sup> List and Pettit’s concept of supervenience roughly expresses that individual beliefs necessarily fix group beliefs, however, group beliefs are not strictly reducible to individual beliefs. In other words, the supervenience relation in their account is not symmetric. This epistemic gap between the group-level agent and the member-level agents is another one of the necessary conditions for considering groups to be a kind of agent.

It is this gap between what individual qua citizen might prefer and what the individual qua member of the group might prefer that List and Pettit address with their *incentive-compatibility desideratum*. The incentive compatibility desideratum places special constraints upon the organization so that the group agent becomes incentive-compatible in the face of strategic individual action. One of the strengths of their account is that List and Pettit build it with real-world conditions in mind, such as disparities between individual and group beliefs. The incentive-compatibility desideratum discusses strategies for maintaining coherency of group decisions, despite these conditions. One such challenge is that a group agent must have mechanisms to ensure that its aggregate function can withstand the propensity for individuals to have strong inclinations or preferences to act in their own interest, or display what List and Pettit call “individual strategic behavior” (p. 104). The incentive-compatibility desideratum describes properties that are rational for individuals to act upon, given internally (group-based) and externally (society-based) existing social mechanisms (p. 105).

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<sup>55</sup> This type of many-one relationship is also able to deliver the multiple realizability criteria necessary to pass the test of group agency.

Given the fact that individual members may not always act out of group preferences, and considering that individuals within groups have a slight peer-conformist preference, List and Pettit discuss strategies to incentivize members to act in the group's interest. Such strategies can take the form of modifying the incentive structure of an organization (organizational route), modifying the individual member's preferences (behavioral route), or some combination of both (pp. 119-28). Such strategies are intended to help enable individual members to endorse and enact group attitudes (p. 128),<sup>56</sup> and List and Pettit argue that one way to do this is to organize group policies in a manner that respects the rights and freedoms of members; that is, in a manner that respects their *sphere of control*. By examining the sphere of control, we start to get a clearer picture of the ideal kind of organizational structure, and the resulting ideal group agent, List and Pettit have in mind.

On List and Pettit's account, the sphere of control in organizations pertains to issues of personal significance (autonomy rights) and issues of special expertise (expertise rights) (pp. 129-31). The *control desideratum* dictates that when corporate agents make judgments that pertain to these spheres, the individual ought to be able to exercise control over group decisions as a means of protecting that individual's rights. Unlike the control of the supervenience relation, where we understand the group-level attitudes to come from the individual members even when those attitudes are quite distinct from the attitudes individual members might endorse for themselves, decisions

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<sup>56</sup> In Chapter 4, I will discuss the process of group buy-in in more detail, particularly the ways in which buy-in is a transformational act that shapes how individuals make sense of themselves and their possibilities of being outside of the organization. The focus in this part of the project is to discuss the different aspects of organizational design that enable a group to produce autonomous judgments and actions at all.

which affect the realm of autonomy or expertise rights ought to be decisive.<sup>57</sup> The ideal situation presented is a group whose agenda is set in such a way as to limit interdependencies so that individuals do not logically conflict with the judgments in anyone else's sphere of control. There are two points of contention with this kind of ideal: one that List and Pettit address and one they do not.

The problem they address is that we live in an interconnected world where issues often cross a multitude of different persons' spheres of control. In response to our interconnectivity, List and Pettit entertain three possible solutions: lower the standards of control to allow for democratic decision making, make individual control less robust, or shrink the individuals' spheres of control (pp. 138-44). Although there is no one answer to such problems, List and Pettit discuss the ways in which different kinds of groups might address such concerns. The most plausible scenario would be to aim at ensuring that decision-making processes remain as resistant to errors in rationality as possible while relaxing the formal rules of decision-making processes,<sup>58</sup> thus protecting individual choice from the interference of others in a manner that will not affect consistency of group judgments (p. 146).

The problem they do not address is whether it is desirable to endorse the picture of autonomy this notion of freedom and the idea of spheres of control gives us. This concept of freedom, which Pettit develops in *Republicanism* (1997), and List and Pettit bring into *Group Agency*, has as its foundation the ideal of freedom as non-domination

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<sup>57</sup> Decisiveness is defined as a judgment coinciding with the member's preferences on the proposition under consideration (p. 131). The notion of freedom at play is rooted in the republican notion of freedom as non-domination. Non-domination goes beyond the conception of freedom as non-interference to non-interference plus the absence of anyone else's *capacity* to interfere (pp. 135-36).

<sup>58</sup> List and Pettit refer to this as relaxing substantive robustness, which refers to measuring robustness of decision-making processes as a function of statistical accuracy, while loosening formal robustness, which refers to the strict adherence to rule-guided decision processes.



being necessary for ensuring an individual's right of self-determination. However, List and Pettit have not explained why we should accept that this is the account of freedom and autonomy organizations ought to promote.

Although the ideal of freedom from arbitrary interference carries with it freedom from oppressive conditions for those populations frequently found in dependent situations, such as the exploitation of women's labor or forced child labor, it does not offer us a positive account of what appropriate dependency might look like. Dependency amongst persons is not something that happens only in the context of intimate relationships in the private sphere; it also happens within the context of the public sphere and throughout our social institutions. Pettit's earlier work, *The Common Mind* (1993), is compatible with the view that it would be a mistake to think of ourselves as isolated "willers" who do not need social support from either individual or corporate agents for efficacious intentional action.<sup>59</sup> Indeed, his concept of freedom as non-domination is a move away from the more isolated notion of freedom as non-interference (Pettit, 1997, esp. Ch. 2). However, List and Pettit still adhere to a perspective of public interconnectedness as a state of being from which we ought to be relieved. Their claim that group interactions are inherently social to mean that group interactions are just people working together, but not interdependent. Even in cases where exit is an option, meaning that individuals are in situations of non-domination, I may be bound by affiliative obligations and duties that the perspective of non-domination fails to capture. As such, understanding ourselves as relationally autonomous agents dictates taking a different standpoint when devising standards of freedom as members of corporate agents.

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<sup>59</sup> A more thorough examination of this point in the context of social choice, group identity, and group responsibility will be part of the focus of Chapter 4 and the Epilogue on corporate social responsibility.

When part of my identity becomes dependent upon the bonds I have with other members of a group, and these bonds are seen as a common good, exit may be foreclosed as a viable option.

The point is that affiliative bonds do not take place *strictly* in the spheres of control beyond the realm of corporate agents, but this is not necessarily a problem for recognizing group agents as such. What this means is that we need an account of organization structure and agency that is flexible enough to escape being tied to any particular theory of freedom or for autonomy to have explanatory force. Putting to one side the question of whether we want to endorse the republican notion of freedom, that is to say whether or not we would want this notion of freedom acting as the guiding value of a group agent's structure, we can still ask to what extent different kinds of corporate agents can be constrained to their sphere of control. The short reply offered by List and Pettit is that organizations can be separated in a way that power is shared among a variety of different authorities (p. 146). Such a division across individual and corporate agents limits any singular organization from denying individuals' control. However, at least in the case of economic associations, such group agents are uniquely situated in their ability to transgress attempts at this kind of separation of spheres of control. Such transgression is made possible by the use of market functions to solve coordination problems in different social spheres; the influence (a form of control) of economic agents crosses from public to private.

Economic group agents often directly influence the public social institutions that inform and give shape to how we manage our private lives. Charter schools and for-profit, privately operated hospitals and nursing homes are two examples that demonstrate

how businesses are blurring the boundaries of this kind of public/private distinction. As has happened in the sphere of education, healthcare, and access to public goods (e.g., transportation, parks/recreation, and libraries), privatization opens up the possibility for business solutions. These business solutions involve the process of commodification, which is made explicit when we look at how the standards for successful policy implementation are evaluated against the efficiency standards of business firms.<sup>60</sup> The process of commodification entails an ideal of perfect competition where success is determined, in part, by the ability to assign a value to something. This process of valuing commodities, for these kinds of corporate agents, becomes the primary consideration in the group-level judgments over potential courses of action. Interestingly, the reason why we cannot constrain such corporate agents from dominating the spheres of control of other social institutions is the same reason why we should not expect economic associations in capitalistic environments to be able to engage in certain kinds of reasoning.

#### 2.4.4 Making Sense of Group Responsibility and Obligations

List and Pettit outline three conditions by which groups are fit to be held responsible for their actions and the consequences of their actions. The conditions are: 1) the group agent faces morally significant choices,<sup>61</sup> 2) the agent has the ability (understanding and access to evidence required) to make judgments about those morally significant choices, and 3) the agent is able to choose between avenues of action (p. 155). After defending these conditions, they discuss how we might understand such groups to be more than rational agents; they claim that we should consider corporate agents to be

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<sup>60</sup> This will be discussed in depth in Chapter 3.

<sup>61</sup> A few examples of morally significant choices could be whether or not to pay a living wage to workers, employ child labor, or dispose of environmentally hazardous materials in the river outside of the factory.

moral agents who are able to enter into the same kinds of relationships as other persons.<sup>62</sup>

There are a couple of reasons why I think we might want to resist this point of their argument. List and Pettit's theory focuses on two levels of analysis: making sense of individuals' decisions within the aggregate decision-making process as well as group agent decisions and actions from outside the group (i.e., in the world). As such, the reasons I offer for resisting certain points of their argument in favor of viewing a corporate agent as a kind of person focus, likewise, on these two parts of the analysis.

Particularly in the case of economic associations, I take it to be an uncontentious claim that business firms face decisions of moral significance. For a group agent to satisfy the second condition it must have as part of its agenda the goal to make decisions of moral significance, meaning that it must make an explicit choice at some point in the decision-making process that entails that the group has the structural mechanisms for making judgments more generally. List and Pettit claim that if a group does not implement mechanisms that explicitly block moral reasoning, then individual group members who have the capacity for moral reasoning must introduce moral reasoning into the group reasoning and decision-making processes. At this point, then, they are concerned with the relationship between individual members and the aggregate decision-making process. It is important to note that even as an *individual* within the group is able to maintain the ability to consider morally significant claims, when she is speaking *as a member of the group*, she must reason differently. Individual preferences, as List and Pettit discuss at great lengths, will often fall away when the individual must make

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<sup>62</sup> This is what List and Pettit refer to as the space of obligations.

judgments or maintain group-level attitudes to enact member roles.<sup>63</sup> What we see at the level of the group, then, is the pressure group roles place on individuals and their decision-making processes. To be a member of the group, or to occupy a given role within the group, the member cannot make any decisions indiscriminately. Rather, members must make decisions in a manner that will be justifiable to the group. We can make a similar observation about the group agent.

Group preferences, like individual preferences, are often subject to external pressures. That is to say that group preferences, and decisions based on those preferences, are informed by and must be justifiable to external others (i.e., not just the members within the group). When a corporate agent's preferences are ordered on the basis of economic (market) values, it should be no surprise that such values become part of the reasoning process in the aggregate function. If the group agent recognizes that it must, as a means of survival, make decisions and act in a manner that can be justified in accordance with the external systems of constraint, it would be rational for the group agent to develop an aggregate function that can engage in this kind of strategic rationality. If it fails to incorporate decision-making procedures that force members to consider such decisions through the lens of strategic rationality, this will threaten the economic agent's ability to survive in the face of external pressures (i.e., maintain efficient functioning and justify actions to stakeholders).

When we look at real-world group decisions, we can start to get a sense of how these external representations of firm function, which are captured in the modes of evaluation and justification, play a role in decision-making processes. For example, it

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<sup>63</sup> In Chapter 4 I will look more closely at the ways in which List and Pettit do not fully articulate the constraints of one's role on the type of reasoning one employs in given situations.

was not until 1990 that the NIH mandated equal inclusion of women and minority subjects in grant-funded human subjects research initiatives (Dresser, 1992, p. 24). Even after the mandate, significant under-representation of women and minorities in human subjects research persisted. Rebecca Dresser's analysis revealed that one of the justifications given for white-male only participants had to do with the time and cost of recruiting women and minorities for inclusion (pp. 25-26).<sup>64</sup> In this case, the justification reveals what such a decision-making process considers when making judgments on morally weighty claims. The moral mistake evidenced by this kind of justification was allowing economic strategy to govern the decision-making process.

This example, of the inclusion of women and minorities in human subjects research, provides a clue as to why the absence of explicit restriction against engaging certain kinds of reasoning capacities does not entail the likelihood of engaging in moral reasoning in a situated context. Even as explicit restrictions against considering the morally significant aspects of choices are absent, systems of norms constrain how decisions are made within organizational roles. This suggests that the morally significant aspects are not what cost-based decision-making processes are focusing on. Rather, the external processes of evaluation and justification set up ideals that heavily influence which factors are appropriate to consider in all decisions of this kind. In the example of including diverse populations in human subjects research, the justification of the decision to recruit only white men demonstrates that the focus was about how to count the *cost* of recruiting. In such an instance of calculating subject recruitment, the focus was not on how to ensure that the population sample (N) adequately represented gender and

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<sup>64</sup> Although there were many justifications offered, and some of them were verging on or were explicitly sexist, racist, or patronizing, I will focus my discussion on the justification that appealed to market values as a way to appeal to more objective grounds of exclusion.

ethnicities. Rather, choosing less expensive recruits was the primary goal, without reflection upon whether this was a desirable metric for recruitment. This is to say that the primary mode of reasoning focused on the (economic) cost of inclusion, not whether *the cost* should determine the N. Thus, the cost-benefit style of reasoning overshadowed the moral reasoning from the decision-making process itself.<sup>65</sup> If the process of justification demanded by the external environment forces certain kinds of corporate agents to use instrumentalist cost-benefit analysis of choices as a primary means of judgment and decision making, then the primary value that will shape group decisions is efficiency. That is to say, even as there are not explicit restrictions banning morally weighty considerations, the community standards dictating how groups ought to be (i.e. efficient, profitable), when different general moral principles guiding the community standards individuals might live by, gives rise to situations in which such groups runs the risk of treating morally weighty statements as just another cost or benefit to maximizing output. Hence, in such cases, the cost-benefit analysis covers over the context-dependent networks of meaning that inform whether the ends ought to be pursued in the first place.

It is, likewise, not a question of how we can *translate* the value of morally significant variables (e.g., people, sentient beings, the natural environment) into the decision-making process.<sup>66</sup> The process of putting a price on something, which may reflect an attempt to synthesize these two kinds of reasoning (strategic and moral), does not necessarily bring moral reasoning into the strategic process. Rather, it commodifies

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<sup>65</sup> In this particular example, tweaking the external controls, that is, mandating inclusion, yielded more equitable results. The degree to which changing external control mechanisms will change organizational behavior depends on the degree to which the particular group agent can transgress various spheres of control.

<sup>66</sup> Although, if faced with the decision of either cobbling together a means to do so or disregarding such factors completely, I think the correct decision would be to use the incomplete cost-benefit analysis.

the subject, and in doing so, brings it under the process of strategic reasoning. Thus, when we attempt to synthesize these two kinds of reasoning, the result is a replacement of one with the other. The process of commodification is one aspect of the decision-making mechanisms employed by economic group agents.

Nevertheless, say that a business *does* recognize the need to make morally weighty decisions, and that the economic agent sincerely wants to do the right thing;<sup>67</sup> does this mean the group *necessarily* cannot do so? To answer this question, we need to look at the relationship between the group having the ability to do something and those outside of the group *recognizing this ability as such*. To be clear, I am not saying that everywhere and for all times businesses, and possibly other kinds of corporate agents, will not be able to engage in moral reasoning and act on the basis of those judgments. What I am saying is that, even when businesses have the ability to consider the moral weight of claims and to act on the decisions of those judgments, when they do so in an environment that uses a common language of economic evaluation, we will have no way of distinguishing those who have such an ability from those who do not. Consequently, the external values and modes of constraint play a role at least equally as important as the internal structural constraints in determining the extent to which such groups might do so.

I will grant List and Pettit their claim that individuals making up group agents do not necessarily rob the group agent of control. The reason for this claim has to do with understanding the different roles individuals have in group action, and the group has a distinct set of responsibilities from those of the individual members. List and Pettit argue for an understanding of individual responsibility within the context of group agents to be

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<sup>67</sup> We could infer that corporations such as Seventh Generation or Ben & Jerry's (before they were purchased by Unilever) might be understood to express the desire to engage in moral reasoning.



mitigated by internal (organizational) and external (social) constraints and pressures (pp. 163-67). Similarly, it seems intuitively compelling that a group agent's fitness to be held responsible ought to be mitigated by the external environmental factors it survives (or thrives) on, and indexed to its reasoning capacities.<sup>68</sup> One consequence of a more nuanced account of group agency as it arises in non-ideal circumstances is that a more nuanced scale of organization structures becomes possible. In a manner similar to how List and Pettit attribute different degrees of responsibility to different group members and their roles, a more nuanced account of group responsibility could assess a different degree of responsibility to minimal group agents than it would to moral group agents.

List and Pettit present the presence of group practical reasoning as the foundation for treating corporate agents as a kind of person (p. 173). They claim that in thinking about a group agent as a kind of person we can understand and treat it as a proper subject of complaints and reprimands in expectation of compliance with social norms, able to share in a common awareness of norms and expectations, etc. (List & Pettit, p. 173). I have claimed that we should not expect economic group agents to exhibit the same capacities as persons, at least not solely on the basis that the individual members have those capacities. Rather, a better starting point for shifting representations of firm function and the expectations for group agential capacities is by understanding how we (mis)represent firm motivation as simply reflective of the ideal firm function in our contemporary economic structures.

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<sup>68</sup> This will be the focus of Chapter 4.

## 2.5 Dynamic Group Agents: Moving beyond List and Pettit

From the perspective of the group-level cognitive processes, the group agent develops intentions and actions in ways that should not be described merely in terms of the intentions of the members. Much hangs on the operation and structure of the group within ideal conditions, something that may give us the logical possibility of group agents, but not a high probability that such agents exist in *our* world. The aggregate function that connects the members of the group to the group agent seems to make up only half of the equation. List and Pettit attempt much more. Their goal is to explain how group agents can function in the world as a kind of person, able to engage in moral reasoning the very way individual human agents do, and to enter into deliberative engagement with other group agents and persons. In other words, List and Pettit want to count group agents as full members of the moral community of persons, who are fit to be held morally responsible for their actions and become an integral part of individual and social identities. In line with their more general aim, I hope to extend our understanding of what variables within organization structures give rise to genuine group agents, and the conditions under which such agents can develop the ability to engage in moral reasoning.

Through the inclusion of environmental variables in the process of group structure dynamics, a subject that will be more thoroughly explored in the next chapter, we will get a better sense of the larger system-environment picture only partially captured by List and Pettit. In particular, I will focus on the extent to which systems of constraint set up the ideals of proper functioning and how the neoclassical ideal of proper firm function does not track the range of group judgment capacities. In doing so, we will also get a better sense of what the possibilities for group agents in our world might be. By

extending the loci of group agency and tracking the different variables that affect the decision-making processes within organizations, we will lay the groundwork for what group agents capable of engaging in moral reasoning look like.

## **Chapter Three**

### **External Structures, Firm Agency, and Organizational Design**

*Positive economics is in principle independent of any particular ethical position or normative judgments. As [John Neville] Keynes says, it deals with 'what is,' not with 'what ought to be' ...—Milton Friedman, Methodology of Positive Economics*

#### **3.1 Introduction: Shifting Orientations**

I have argued that economic groups with particular decision-making processes can develop and display the capacity of practical reasoning. In this chapter, I show how the external systems of constraints encourage practical reasoning within these kinds of groups to adhere to the standard of strategic rationality. While filling out and defending this claim, I will be working to capture the dynamic interplay between the environmental variables that inform how we (i.e., those outside the firm or in society more generally) represent this kind of group's capacities and the group's internal decision-making processes. Examining the external environment will make explicit what we currently expect from these kinds of group agents, how these expectations influence the way in which these group agents and their capacities show up to us, and how our expectations of their capacities open up the possibility of different paths for group agent development. I will be paying particular attention to the cultural values that play a direct role in determining the specific shape of the decision-making processes that this kind of group agent uses when making judgments about actions. By focusing on how environmental variables (i.e., incentive structures) influence and constrain the group organization of economic agents, we can understand how economic groups, in their aim to meet the

demands of environmental constraints (i.e., competition) end up arranging in such a way that also gives rise to group agency.

I will first describe the environmental variables and incentive structures that directly impact the development of economic associations within an American-style capital market system as a means by which to elucidate the ways in which the representations grounding the models of firm behavior, particularly neoclassical economists, constrain the internal design of a firm. Because the neoclassical conception of firm function has come to dominate how we understand firms, by examining how this model has narrowed the way we conceive firm function (i.e., to be only an expression of individual preference) we will be in a better starting point to explore other possible kinds of firm designs. These expectations of firm performance, however, have far reaching consequences. Since our social expectations for firm behavior and the norms that are the basis for those expectations of maximization are based on this neoclassical model, when we move to a higher level of abstraction, we model our understanding and expectations of what “firms intend” to also be the maximization output. From a classificatory standpoint, the neoclassical firm is only one among many possibilities of firm design and function. Thus, if we aim to outline other possibilities of firm design, firm expectations, and what firm intentions could be, we need a more flexible concept of firm function.<sup>69</sup>

I continue my analysis by looking at how the institutional framework enabling the perpetuation of the neoclassical model of firm function influences the values that a firm

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<sup>69</sup> One may wonder how this move is different from what List and Pettit posit by arguing for corporate agents with particular kinds of organizational design. My aim in this chapter is not to offer a different account *per se*, but to offer an explanation of how we can get to an understanding of firm function that will enable us to develop group agents that will also function as moral agents. As such, I am aiming at a similar target to List and Pettit, but developing a non-idealized account about how to get there from the history of organizational design. In this way, my project is quite a different undertaking from describing the ideal conditions that allow for the *logical possibility* of corporate agents.

uses when devising methods to increase stability (i.e., reduce uncertainty and inefficiencies). I argue that shifting to a model of understanding firm function as a knowledge creation toward the end of acting efficiently will act as a bridging concept that models firm behavior as agential at the level of the collective, but within the constrictions of increasing stability. This bridging concept is essential to distinguishing between firms that function as strategic reasoners, who act *only* to maximize output, from firms who function as moral reasoners, who not only reason about the most efficient means to satisfy their ends but also reason about the ends themselves.

However, even as this shift will enable us to conceive of different organization structures as compatible with moral group agency, the present system of external constraint does not promote or reward group agents who make decisions primarily using moral reasoning (i.e., acting on the basis of moral reasoning at the expense of strategic gain). Such reasoning would threaten group efficiency by bringing into question the very ends promoted by the present system of constraints: the maximization of output. By looking at the ways in which efficiency demands placed on organizations affect how information is stored, considered, and produced in the form of group-level judgments, we will begin to see how particular kinds of market values become part of the reasoning process in the aggregate function. The practical reasoning that arises allows the group agent to make *prudent*, or strategically rational, decisions that increase its own knowledge as it learns about its environment.<sup>70</sup> Even as such reasoning enables us to understand how the firm is able to successfully minimize risk present in its environment and enables the economic agent to survive in the face of external pressures, this power

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<sup>70</sup> Knowledge creation, in my view, is not the end of the firm but another tool firms use as a means toward their ends.

should not be confused with the ability to make moral judgments. Filling out a taxonomy of firm capacities and possibilities that includes the capacity to engage in moral reasoning, and adumbrates what a virtuous economic group agent might be like, will entail extending the analysis to the theoretically possible.

This ability to make moral judgments about actions, as I argued in the first chapter, would be a capacity that distinguishes such organizations from those that do not have the ability to make such judgments. By better accounting for the ways in which the environmental evaluative standards that firms operate within will also constrain the way we make sense of the group's actions, we will be in a better position to describe an economic organization that collectively engages in moral reasoning. I have claimed that a variety of organization structures can support practical reasoning, inasmuch as a variety of organization structures can support a straw vote decision-making process that would produce group agency. However, when there is an incentive structure that discourages firm judgments and justifications for actions to be anything other than *strategically rational* this will act as an external constraint. This constraint will also limit the basis by which to identify aggregate decision functions that have abilities surpassing this basic kind of practical reasoning. If we are aiming to identify group agents that are moral agents, or more specifically virtuous group agents who want to develop and engage in moral reasoning, we will need to develop the means by which to challenge our representations of these kinds of group agents. If, as I claim, certain kinds of organizations will be unable to engage in moral reasoning, we must begin to rethink the limits of group agency. Additionally, we might want to reconsider what kind of

responsibility we attribute to group agents and index moral responsibility to the group's reasoning capacities.

### **3.2 Economic Associations: A Brief History**

It is worth considering the ways in which the corporations that exist today differ importantly from the sorts of conglomerate economic associations of the past. Although it is true that corporations have existed for hundreds of years, the anatomy of the firm that we now colloquially refer to as “the corporation”—by this I mean firms such as Wal-Mart, General Motors, or Exxon-Mobil—has only been a possibility since the 1950s. The wave of merger and acquisition laws passed during the Eisenhower administration paved the way for businesses to move out of the realm of smaller business enterprises and into the realm of global acquisitions and developments that translated into conglomerate asset holdings in excess of 100 million dollars. Although a few business ventures exceeded this high level of asset holdings, most notably J.P. Morgan Chase, Standard Oil, Sheraton Hotels, Continental Baking, and Hartford Fire Insurance, to name a few, these companies totaled less than 0.1% of business enterprises in the United States between 1946 and 1965. During this time, in comparison to the general growth of small and medium-sized business enterprises, the United States saw a sharp rise in the number of large conglomerate business ventures (i.e., business ventures holding assets in excess of \$100 million) (Jacoby, 1973, pp. 27-33).<sup>71</sup>

This shift in the institutional framework caused a corresponding shift in the scale of what corporations could consider as possible. Thus, it was not surprising that along

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<sup>71</sup> As a frame of reference, \$100 million in 1965 would be worth approximately \$519 million today. To further one's perspective on the size of corporate growth from 2.8 billion (cnnmoney.com, 2008). According to the Fortune 500 List from 2008, Wal-Mart has holding assets of \$378.8 billion and Exxon Mobil has holding assets of \$37



with a shift in possibility of firm growth, a larger number of firms aimed for and achieved more control over the variables in their processes of supply and distribution, which resulted in economies of scale. This change in scale has not altered the underlying framework that informs how economic associations achieve success in either the small or large scale. To understand why this shift has occurred, we need to step back and evaluate how incentive structures influence corporate growth. In doing so, we will also be better situated to understand how different kinds of firms respond to environmental variables; in turn, this will help us make better sense of how to understand a firm's actions, as well as the possibilities for different kinds of agential capacities.

### 3.2.1 Measuring Success in Economic Associations

The contemporary standard of success for firm functions today is historically linked to the neoclassical economic tradition. The contemporary neoclassical economic movement was heavily influenced by utilitarianism, particularly Jeremy Bentham's social utility calculus. Stanley Jevons, following Bentham, developed a model for evaluating the utility of commodities as a continuous relation to market supply and demand (*General Mathematical Theory of Political Economy*, 1866). Jevons, and other figures from the marginal revolution,<sup>72</sup> helped bring in the neoclassical tradition and with it a new representation of economics and firm function. Firms were the means by which persons in societies maximized personal utility through the supply of commodities. Thus, one consequence of this influence can be seen in how the neoclassical economic tradition answers the question of what the maximization of the firm's utility meant: the

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<sup>72</sup> Two economists in particular who heavily influenced the face of American economic tradition were Léon Walras and Stanley Jevons. Another major player who influenced what would be the Austrian School was Carl Menger.

maximization of output. The traditionalist business literature later translated the maximization of output so that it became synonymous with maximizing profit.<sup>73</sup>

The neoclassical understanding of a firm's structure is an extension of Alfred Marshall's "representative firm" (Marshall, 1890/2010, p. 185).<sup>74</sup> The representative firm is understood to be a stable, fixed entity upon which or through which individual human actors are able to aggregately combine their knowledge, skills, and abilities and enter into the free market to make their fortune by supplying what the public demands. Since Marshall, economics has sought to establish itself as a scientific discipline, to be included among the natural sciences, such as physics (Friedman, 1976, pp. 4, 35). In light of this goal, neoclassical theorists adopted the utilitarian principles in an attempt to increase the predictive power of economic theories so that economics could "predict and not merely describe the consequences of action" (Friedman, 1976, p. 12).<sup>75</sup> In this way, we can see the parallel between the aim of neoclassical economic models and one of the consequences of understanding economic associations as intentional entities: both enable us to provide explanatory and predictive power over the actions of such entities.

Additionally, the empirical turn in economics was, in part, hastened as the American

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<sup>73</sup> Of course, one ought to note that these are two different things, since maximizing output may not, and often does not, imply a maximization of profit. Neoclassical economists, such as Milton Friedman, are quick to point to this as evidence that business theorists do not understand the focus of economics (Friedman, 1976, p. 31). Of course, even if the maximization of output is not synonymous with maximizing profit, the way we understand increases in efficiencies and production, as well as the retention of knowledge, skills, and abilities (KSA), is often translated into the bottom line (i.e., profit).

<sup>74</sup> Alfred Marshall's work is recognized as the foundational work in contemporary economic theory because his *Principles of Economics* sought to move the discipline of political economy into the study of economics (Marshall, 1920/1997, p. 43) as a science on par with, but distinct from, the natural sciences (pp. 38-42). The topics covered in his *Principles of Economics* are still the basic outline covered in microeconomic courses through the present day. It should be noted that Marshall was not a utilitarian, and critiqued the idea of an abstract person being used as the basis for economic theories founded on the social calculus (pp. 26-28).

<sup>75</sup> The utilitarian assumptions I am referencing here is the simplified economic adaptation of Bentham's dictum, "each to count for one and none for more than one" combined with a decision-making process that maximizes output of all interests.

economic tradition moved toward a secularized form of economics (Bateman, 2008), thus prompting the creation of empirical means of objectively evaluating and comparing firm function (Hands, 1993, 2001).

The standards that dictate what we expect from firms, or how we expect them to act, are based on how the firm calculates and projects output. Recommendations and appraisals of firm behavior focus on increasing output while decreasing the effect of externalities (i.e., things that put a damper on output, such as manager uncertainty, inefficient market, and epistemic inequalities amongst consumer groups). Ronald Coase claims, in agreement with the neoclassical tradition, that the origins of the firm are rooted in the individual's desire to limit and reduce costs associated with production; if not for individuals motivated by self-interest, firms would not exist (Coase, 1960). Within this sort of framework, the firm is simply the individuals who make it up; so the motivation for maximization of output is closely tied to the motivations of the firm's members. It follows from this view that the decision-making capacities of the group would directly reflect the decision-making capacities of the individuals within the group. However, as I discussed in the first chapter, how those members are organized matters, and can change how closely the group-level beliefs and judgments can be mapped onto the beliefs or judgments of individuals within the group. In majoritarian decision-making processes, the aggregation of individual opinions can result in inconsistent conclusions that do not map onto the beliefs of individuals.<sup>76</sup> Additionally, as my discussion of the *Citizens United* decision pointed out, if the members are organized around a decision-making process that gives rise to rational and autonomous judgments and actions, we have good reason to

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<sup>76</sup> For more on the discursive dilemma, see List and Pettit (2011), esp. pp. 8, 45-46.

think that we will not have the ability to predict group behavior and decisions directly from individual preferences and beliefs.

Different models of evaluating firm function within various branches of economics consider and weigh variables in a variety of ways. However, just because a model includes different variables does not mean we should expect the judgment function to take a different form. Rather, the process of calculating output itself is the means by which moral reasoning is overlooked. For example, sustainability models take the effect of increased output on the environment and local community into account. In doing so, it may appear that moral principles are entering into the group decision-making process. Even as these models attempt to add more nuanced calculations to the balance sheet, the fact remains that the mode of evaluation for these kinds of associations is one whose aim is to discover the most strategic way to maximize output, not to ask whether we should aim for output maximization when allocating scarce natural resources. The point is that the primacy of the profit motive constrains the degree to which those engaging in business decision-making structures can foster or justify fostering ways of engaging with others through means that do not result in direct firm benefit.

Consider how we might ordinarily infer the impetus behind a business decision to implement a recycling initiative. Are we to expect that the firm would engage in greening practices if it would hurt their bottom line? In most cases, we would assume that the judgment processes in which the group engaged when considering the question “ought we implement a recycling initiative” centered on the cost of the initiative, how to offset the cost, and whether such a move would result in an increase in customer loyalty or brand recognition (i.e., whether this move corresponds with how the consumer thinks we

should act). The point is that we would not expect that the firm was weighing whether the action was morally permissible, but rather that the firm was deciding whether or not the action would be optimal. Rationality, or consistency in judgments, does tell us which actions based on these judgments are morally permissible.

The limitations in moral reasoning arise from the fact that firms are designed to function strategically without questioning whether or to what extent they ought to maximize output. When strategic rationality weighs the consequences of actions, it does not present a moral limit or impermissibility in judgments; it advises whether or not a decision would be optimal. By considering morally weighty variables (e.g., human suffering, domination of resources, waste production, pollution, constraint of employee freedom and well-being) against a standard of strategic rationality, the mode of evaluation and judgments is one that measures efficiency (see models suggested by Epstein, 2008). Consequently, firm improvement and justification for firm actions take the form of either greater demand or greater efficiency. In the case of greater demand, output increases; hence, greater utility in firm production. In the case of greater efficiency, transaction costs decrease (producing the same amount of goods with less effort); hence, greater utility in firm production. In either case, the justification for the actions of the firm takes an instrumentalist form; increase utility in a predictable and dependable manner. This instrumentalization of reasons is something that, if it is to be the standard informing firm behavior, becomes part of the internal feedback process. As part of the feedback process, it also becomes the determining ground of how the firm tracks and ensures means-end coherence, and the filter through which all judgments pass. Moreover, this model of firm function does not constrain strategic rationality to coincide

with satisfying individual preference (i.e., preferences of the consumer, the employees, or the local community).

Such models assume that firms function as individual units in response to competitive market forces and are kept in check by the demands of external consumers. The traditional neoclassical models measure firm success with the static equilibrium model of firm behavior. The static equilibrium theory, in its most basic form, is a theory of production with a focus on the firm operating at a particular point in time ( $t$ ) (Chandler, 1977, pp. 490-91; Nonaka & Toyama, 2002, p. 995).<sup>77</sup> Although there are plenty of cases in which strategic rationality will overlap with individual preference, particularly in smaller business enterprises or small-scale joint-stock companies where rationality will dictate satisfying individual preference, what strategic rationality dictates will change as firm decision-making becomes standardized and formalized. Therefore, we should expect that as firm capacities change, strategic rationality would dictate courses of action, which reflects what Chandler describes as “[the] altered internal and external situations in which and about which business decisions [are] made” (1988, pp. 70-71). To highlight how models of firm preference as individual preference are not indicative of strategic rationality, consider how we might describe the success of two firms that use the same process of strategic rationality, while only one coincides with individual preference: a small town used car dealer (case A) and Wal-Mart in the same small town (case B).

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<sup>77</sup>Although behavioral economic theories, such as those proposed by Cyert et al. (Cyert, Feigenbaum, & March, 1959) and Jensen and Meckling (1976), does shift the focus to the way individuals make decisions under conditions of uncertainty, the focus is still on the *individuals* at a particular point in time and not on the ways in which the strategy of actors within firms affects the structure of the firm itself or the process through which production and distribution are actualized.

The idealized model tells us that businesses open in response to market demand, they are responsive to consumer feedback, and if demand changes in light of new alternatives (or lousy product quality), businesses will either become more competitive (i.e., become more efficient) or be driven out of the market. In case A, the used car dealer stays in business because she supplies a product in response to the demand of the community. She supplies her product at a price high enough to make a profit (otherwise she would not be in business), but low enough that her customers are satisfied (otherwise they would not buy a car at her shop). We can look at her inventory and her output (the number of cars she sells off her lot) and explain her rate of growth or decline accurately through reference to market forces. If she sells too many lemons or raises her prices beyond what the market considers reasonable, the small town community would be able to keep her in check by taking their business elsewhere (e.g., the new car dealer, the used car dealer one town over, or buying a car online); hence, market competition explains the function of her firm.

Things are different in case B. The success of Wal-Mart does not depend on how well or poorly it meets the demands of individual communities. Rather, a better account of Wal-Mart's actions would one that depicts a strategic rational agent maximizing efficiency to minimize uncertainties in its environment by eliminating competition, consumer choice, etc. In other words, Wal-Mart's profitability and growth cannot be explained through reference to the laissez-faire principles of a firm responding to community demand and input in the same way that we can explain the profitability and growth of the used car dealer. In case B we cannot offer the same kind of explanations; if we do, we miss something important about the function of the firm and its effect on the

local community or the broader society. That is, we neglect the fact that Wal-Mart is a different kind of organization with a different range of agential capacities.

In both cases the incentive structures encouraging growth and development are identical. The difference is the degree to which each is better suited to respond to its environment to reduce uncertainties, or, to refer back to the variables introduced in the first chapter, the difference is the degree to which each must function within an implicit or explicit regulatory environment. We do not want to explain only why or how a firm functions or might function in instances of idealized conditions, where the constraints upon rationality dictate maximization of individual interest. Rather, we need to understand how the firm and its environment dynamically engage with each other, with the firm responding to environmental changes to maximize output in an ongoing or sustainable manner.

I have argued here that representing firm function as intentional offers an explanatory framework for why economic group agents' practical reasoning enables them to thrive under competitive market conditions. However, understanding firms as intentional, when taken against the background of an expectation that firms are maximally self-interested, and this self-interest is explainable in terms of the interest of some particular set of members within the firm, will not adequately capture the range of the firm's agential capacities. I will now turn to an alternative account of firm design, function, and intention that will be more compatible with the full range of firm agential capacities, beginning with the group's capacity to reason practically, a necessary condition of group agency, in response to the wider institutional environment.



### 3.3 Environmental Pressures and Organizational Design

The history of economic development is littered with examples of how institutional frameworks aid or hinder the advancement of industry (see Durkheim, 1984; Weber, 1978; North, 2005). Advancement, in such cases, is measured by the degree of increase in the specialization of expertise and technological development achieved through the division of labor (North, 1991, p. 99). Social institutions, which dictate the shape economic advancement may take within a given society, are structures contingent upon the social networks of a culture. The American system<sup>78</sup> has aimed to develop efficient solutions to market problems through competition, wherein competition aims to reduce transaction costs (Williamson, 1975, 1985). Reducing transaction costs enables firms to grow, but firm growth, if it is to be sustainable, must consistently review avenues of maximizing firm efficiency. Consequently, efficiency, specialization of expertise, and technological development can also be seen as parts of the institutional framework, parts that contribute to shaping the variables within organization structures, and as such influence the group's agential capacities. If we are to understand how group agents arise within different contemporary organization structures, having an adequate account of how environmental pressures shape a corporation's internal decision-making process becomes paramount.

The degree to which societies are able to build stable institutional frameworks, where there are widespread accepted standards enforced across populations in the community, directly influences the way businesses operate within a community (North,

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<sup>78</sup> The American system can be understood to be a capital market. A capital market is one that secures property rights, has relatively wide latitude in forming and governing the organization's affairs, and has a judicial system that permits low contracting costs (North, 1991, p. 101). When transaction costs, such as contracting costs, are too high growth in capitalistic markets tapers off (Coase, 1960).

1991, pp. 103-8). North explains that the development of social institutions is one way in which human beings have sought to minimize uncertainty in their physical environment (2005, esp. pp. 13-22). As uncertainty can take many forms, so too does reducing uncertainty; North describes five of the most common methods:

1. Increasing information given the existing stock of knowledge
2. Increasing the stock of knowledge within the existing institutional framework
3. Altering the institutional framework
4. Restructuring beliefs in the face of novel situations
5. Entertaining/Developing “non-rational” beliefs to deal with residual uncertainty (pp. 17-19)

Maximizing efficiencies within economic associations, as a means toward maximizing output, often takes the form of minimizing uncertainties in the organization’s immediate environment. Just as different organisms are better or worse at adapting to and stabilizing their physical environment, so too are different kinds of economic associations able to interact with their environment more or less successfully. That is to say, different firms will have different abilities to maximize efficiencies both inside and outside the firm. For example, smaller-scale organic firms might maximize efficiency by implementing changes to their internal communication processes, streamlining production, or creating consumer feedback mechanisms. Such changes could be described in terms of reducing uncertainties through increasing information given the stock of knowledge (implementing feedback mechanisms), increasing the stock of knowledge (developing new expertise), and changing beliefs (responding to feedback). In addition to the methods employed by organic firms to minimize uncertainties, larger-scale hierarchical or bureaucratic firms (i.e., corporations with more asset holdings, greater member strength, and greater purchasing power) might also be able to alter the institutional framework by demanding

that suppliers provide services at lower costs, lobbying governments for lower taxes, or acquiring smaller competitors to increase market share.

Each of these strategies tries to reduce uncertainties in order to create a more stable social environment, enabling the organization to grow and thrive. These strategies, however, must be formed in accordance with the rules of the game. This means that social institutions external to the firm constrain firm choices in order to develop a firm that will function as anticipated. Within a capital market system, corporate strategies are judged and rated based on how well or poorly they competitively maximize output.<sup>79</sup> These judgments are captured in the calculations of risk and return, and are measured against benchmark rates of risk and return over time.<sup>80</sup> The benchmarks express the public's perception of market performance.<sup>81</sup> If a firm is to thrive, which in this context means that it is able to remain solvent and expand market shares compared to others in the industry, then it must be able to create subsystems to manage output efficiently while monitoring and responding to market conditions. Without these kinds of feedback mechanisms, firms would not be able to measure how well or poorly they functioned, and this would directly impact their likelihood of attracting investors, entering into long-term contracts (i.e., buyers must have evidence the firm will be in business in a year), or taking out a line of credit. That is to say, for a firm to survive in a capital market, it must develop specific kinds of information processing systems that aim at measuring

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<sup>79</sup>As dictated by the rules of the free market, meaning firms will be viewed as irregular and open to sanction if they act monopolistically (with the exception of government-regulated monopolies, as is the case with utility and media companies).

<sup>80</sup>Standard markers of performance are measured in P/E ratio, return on investment (ROI), and beta-scores to evaluate solvency. Standard stock ratings are evaluated based on firm or portfolio (for mutual funds) performance over particular intervals, usually marked at years 1, 3, 5, and 10 (although sustainability models also forecast predictions for 10, 25, and 50 years).

<sup>81</sup>A few examples of standard benchmarks are indices made public through the NYSE, S&P 500, and NASDAQ.

efficiency, and make decisions in a manner that maximizes output that shows up to the world as such.

To achieve a competitive advantage, a firm must develop an additional kind of capacity, one that does more than merely track and respond to environmental conditions in order to stay in the game. A competitive advantage is achieved when the firm develops systems to act in accordance with strategic rationality, acting as a way to reduce uncertainties through the maximization of efficiency in a way that rivals cannot. Such instances of competitive advantage happen when a firm has an exclusive product that no other competitor can supply, has access to resources that are scarce, has the ability to contract labor and skills that leaves other firms unable to compete, etc.<sup>82</sup>

One can imagine that the firm, in such instances, functions much like a vehicle: information from the world is fed into the system, the data is converted into useable information that acts as the basis of strategy, and then the driver (managers, CEO, etc.) steers it along as it trucks through industry. This analogy parallels the way that Nonaka and Toyama describe the function of firms in their theory of dynamic firm behavior (2002). Nonaka and Toyama shift away from the neoclassical perception of the firm as a production entity aimed at the maximization of output. They recommend understanding the firm as a knowledge-creating entity, and while they argue that this is the end at which the firm aims, I will use their theory as a bridging concept to better understand how group agents create knowledge, which is the process whereby the firm is able to convert data

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<sup>82</sup> This approach can be differentiated from bargaining or coalition building. Coalition building is a behavioral theory of firm function offered by Cyert and March (1963). Under a coalition account, there are tradeoffs amongst individuals or groups that aim at imperfectly maximizing the utility demands of each. Again, there is no account of how the strategy of the irreducible collective is affecting the structure of the firm.

into meaningful information<sup>83</sup> as a means by which to achieve and maintain competitive advantages. Compared to the traditional neoclassical account of firm function, Nonaka and Toyama's model has two foundational differences that make it more compatible with viewing the firm as a rational agent. First, they explain how information-processing systems give rise to organizational knowledge as opposed to, or in addition to, localized individual knowledge. Firm survival is based on acquiring external assets, including knowledge assets, by synthesizing contradictions external to the firm resulting in an expansion of the firm's boundaries.

Second, they present a model of firm function that depicts the firm as an entity consistently engaged in dynamic feedback with its environment toward its end(s). In their account, the end is a competitive advantage achieved by creating knowledge out of data that flows through the firm's information processing systems. This process can be distinguished from information processing, although information processing is one part of it, as the product is the organization's ability to learn new information that helps it better engage in the world. Thus, a competitive advantage, the strategic advantage one firm has over its rivals within its industry, is achieved when firms not only develop a stock of knowledge but continuously create new knowledge out of existing capabilities (Nonaka & Toyama, pp. 997-98). That is to say, firms continuously engage in learning new things and remembering them for future use. Through creating information feedback processes, the firm can continuously react to changes in its environment based on what it learned in the past. When considering this model against the background of North's analysis of economic change it becomes a way to understand and interpret a firm's

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<sup>83</sup> To say that information is "meaningful" means that it satisfies a particular end. In other words, the firm does not produce just any knowledge whatsoever, but rather knowledge toward the end of maximizing competitive advantage, which also has the effect of minimizing uncertainties.

actions as intentionally seeking to minimize uncertainties in its environment in a way that can be instituted as part of the collective information processing systems for future reference. Additionally, this model is compatible with an account of group agency in which individuals (those making up and contributing to the information processing) process information for group decisions in a way that produces autonomous group beliefs, strategies, and actions.

Following the flow of information, and how such information is used in the decision-making processes of the firm, requires understanding how we can make sense of such processes at two levels. The first level is that of the individual persons used in the group knowledge creation that the firm then uses in the decision-making process. The second level is the (meta) level of the firm decision-making processes, which use the knowledge supplied to the group, to produce decisions distinct from the particular individuals who supply the information. Turning to the level of individuals within the organization, we might properly ask how we are to understand their role in this kind of information processing. In other words, if *we* are the information processors of the knowledge-creating systems within a firm, those that give rise to and function in accordance with strategic rationality, how are we to understand the role of persons in the process? I will respond to this in two stages. First, I will walk through how to understand this claim from the standpoint of the firm as an entity employing persons as one necessary part of its information systems. Then, I will invert this perspective to explore the question of what it means *for us* that we occupy such roles.<sup>84</sup> In the sections that follow I will argue that transactive memory systems, one way of structuring organizational design to promote efficiency, are consistent with the production of

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<sup>84</sup> This will be examined in the next chapter.

organizational knowledge that functions as part of the group's practical reasoning system. I will then move to explore the constraints upon individuals' ability to engage in moral reasoning when acting within these kinds of information-processing systems.

### 3.3.1 Efficiency and Instituted Knowledge

In List and Pettit's account, the decision-making processes necessary for producing group agency are those that consistently produce group-level decisions and actions that avoid inconsistencies in judgments, produce judgments about the world that are true, and can respond to changes in the environment. This is to say that groups are agents to the extent that individual members work together to enable the group to realize the capacity of practical reasoning. However, although List and Pettit provide details about organizational structures and the necessary and sufficient conditions for group agents to arise within those structures, they do not discuss concrete organizational designs (p. 81).<sup>85</sup> As my goal is to develop a non-idealized account that might result in concrete changes in real organizations, I will be filling out the story of how group agency, as List and Pettit describe it, might arise from the kinds of organizational and institutional arrangements we have and promote.

This section will shift between levels of description of the individuals acting as part of the group<sup>86</sup> and the product of these interactions. Specifically, we will follow the way individuals' tacit knowledge (skills, abilities, and data) becomes explicit as the organization engages in transactions with its members, extracting the information necessary for decisions, and examine how that information moves through the

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<sup>85</sup> Even as the desiderata they discuss in chapters 4, 5, and 6 outline stricter criteria that well-organized group agents would employ, they do not give examples of how these criteria map onto actual organizations.

<sup>86</sup> This section will not seek to make sense of individual identity within economic associations, but this will be considered in the next chapter.

organization's decision-making processes. By looking at the extent to which this knowledge is able to be instituted within the firm instead of in particular people within it, and how this process relates to decision-making processes that produce group judgments, we will begin to see how these kinds of firm decision-making processes treat people as a kind of resource to use toward the group's ends. Treating group members as sources of information does not entail that they are treated poorly, but rather, that group members are not expected or encouraged to engage in reasoning processes or actions that are not directly relevant to their role within the system's processing. In this way, when people are used as information processing units they are expected to function much like a GPS, which engages in a kind of strategic rationality when it determines the most efficient route through a city. This is to say that they are expected to engage in strategically rational actions, which are actions the group would deem to be in accordance with practical reasoning.

Knowledge-based efficiencies in organizations can be achieved through the development of specialized knowledge structures to enable shared cognition<sup>87</sup> within the organization. Sharing is an ambiguous term. In the strong sense of sharing, it could mean something like common beliefs, consensus of group aims, and overlapping plans. This kind of shared cognition would be compatible with an account of group agency arising from jointly intending individuals participating in a shared cooperative activity (Bratman, esp. 1992b, 1997). As I have previously argued in Chapter 1, economic groups do not need this stronger sense of "sharing" when stable structures support group actions. Particularly in the case of economic group agents, whose activities are a product of the

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<sup>87</sup> For an overview of the use of the term "shared cognition" across disciplines see Hopp, Smith and Hayne (2002).



group's decision-making processes, the group remains stable as long as organizational roles produce consistent results, and not because all members share in their plans. Thus, while I describe the manner in which the group engages in distributed cognition broadly construed, I focus on the kind of distributed cognition that would be compatible with the general aim of organizational designs, specifically focusing on a model of group cognition that aims at efficiency and output maximization. The minimal sense of sharing required by this kind of group is the sharing of the workload by dividing it up. Within collective cognitive research, transactive memory systems are a kind of shared cognitive system that pools diverse and complementary bodies of information and directs them toward an organization's ends.

Transactive memory systems allow organizations to arrange information systems such that individual members serve as external cognitive aids to each other (see Wegner, 1986, 1995). We might think of transactive memory systems as being comparable to a network of computers that refer to one another in order to create a shared database of collectively constructed knowledge. When groups engage in decision making, they aggregate information through centralized pooling systems into a form that organization members can share and access during task completion. In the case of group decisions and judgments, the process of information pooling results in knowledge production used to drive decision-making. By dividing the cognitive labor throughout task completion, the organizational payoff from setting up information-processing systems using transactive memory working groups is that it increases productivity at the level of the group and increases efficiency. In a manner similar to efficiency gained through factory processing, transactive memory systems function by means of a division of specialized labor, skills,

and abilities. Another efficiency gained by the process of the division of labor is that individuals' roles become more clearly defined and narrowly focused. For example, completing a forecasting report for inventory is a complex task. One person could be in charge of gathering and inputting the data from past quarters, inputting current long-term contracted purchases, researching and inputting market variables on projected growth in the region, and then crunching the numbers. When the forecast report is divided among four or five employees with clearly defined tasks, such teamwork reaps greater efficiency. This means that the members of the working group can focus on one aspect of the production process, communicate with others whose roles are clearly defined and whose expertise associated with that role is trusted, and no one person has to be responsible for the entire knowledge production or decision-making process. Hence, the increase in efficiency occurs, in part, by decreasing the degree to which information processing and knowledge production relies on any one individual in particular.<sup>88</sup>

The difference between transactive memory systems and systems that engage in the stronger sense of shared cognition is, in part, the degree to which information is standardized and formalized; that is, the degree to which information is open access (transparent) or kept as a form of tacit knowledge. In transactive memory systems, individuals identify the subjects of the knowledge in which the information is encoded (i.e., which persons within the organization know  $x$ ). In this way, transactive memory systems are means by which individuals within organizations can coordinate tasks

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<sup>88</sup> Here I would want to distinguish between specialized knowledge, something that comes with taking up a certain organizational role, and expert knowledge, something that comes with the acquisition of skills and can be independent of particular organizational roles. For example, one kind of expertise is accountancy: one can be a certified public accountant (CPA) without being a CPA for a particular firm. In contrast, the role of chief executive officer (CEO) is a kind of instituted or organizational role that carries with it specialized knowledge; one cannot be a CEO without taking up the role of heading a particular organization.

without having to learn new things (e.g., skills or procedures that they have to carry out themselves) *per se*; they have to know where to go for the information. Such systems use people as repositories for information, query about specialized information, or input data that others later retrieve when they transactively engage with the organization's systems (e.g., pull a report from the computer system). When people are the components of information systems, care is needed in design and how this design will affect the treatment of those people. Unlike other forms of information storage and retrieval, such as diaries, maps, computers, or books, people care about how they are treated during the storage and retrieval process, and they share or withhold information accordingly. Unless I buy my computer from an evil genius who designs malevolent machines, I can generally assume that my computer will continue to supply me with reliable information even if I have no other relationship with it. Likewise, I assume I can write in the margins of a book without it caring about *how* I am using it. When people make up the information processing systems whose aim is the maximization of output, decision-making systems may begin to treat people as they might treat any other information processor (e.g., a computer, book, or BlackBerry). The question, then, is how the treatment of people, when they act as parts of transactive memory systems, affects the agential capacities of the organization.

When information is stored in a device, as opposed to in a person, the individual persons accessing the information act upon the device to retrieve the information requested. Similarly, when group structures organize around information processing systems, they bring the parts of that system under their control. When I refer to a calendar on my computer or consult my android app to find out when the next bus will arrive, I am

the one who looks; the device that I use to retrieve this information does not care about the manner in which I ask it for information. The “job” of the device is to provide me access or to store the information until such time as I need to retrieve it. This does not diminish the role of the storage device in the process of cognition; both my cognitive hardware and the device’s software are necessary to get the job done. However, it does generate a different kind of relationship to these types of storage systems than other systems or entities that might be able to initiate such processes. In the case of transactive memory systems, in which individuals turn to other persons to complete a task or retrieve stored information, the way we *use* another person is different from the way we use other kinds of data storage devices to access the information for our ends. However, using people as a means to store, retrieve, and process information renders them vulnerable to exploitation.

Deborah Tollefsen explains the differences between using other kinds of devices that function as part of extended cognitive systems and extending one’s cognition using others as part of a collectively coupled system (2006). Tollefsen argues that a substantial difference exists between the kind of role a data storage device plays in the comparatively solipsistic coupled system and the kind of role another person plays in the collective coupled system, and this is a *good* thing. She reformulates the example of Otto and his notebook (Chalmers & Clark 1998, p. 12) to capture a collective coupled system; Olaf and Inga. The original example used by Chalmers and Clark, introduces Otto as a person with a mild form of Alzheimer’s disease; he utilizes a notebook to help structure his life. He catalogs the places that he visits, schedules necessary tasks, records important experiences and facts, inscribes directions to places he enjoys going, etc. Comparing Otto

to Inga, who relies on her short- and long-term memory to structure her actions (in the example, they are both going to the museum), Chalmers and Clark claim that the role of Inga's memory processes functionally equates to the role Otto's notebook plays in structuring his actions. The point of the example is to challenge the assumption that the process of cognition takes place *only* in Otto's head. When Otto relies on his notebook (one kind of data storage device) in the process of structuring his beliefs to guide his actions, his cognition is still *his* (thus the reason Tollefsen calls this kind of "coupled system" solipsistic). However, the active process of cognition does not only involve Otto; it involves the notebook as well (hence, the example as a defense of the extended mind thesis).

Tollefsen uses the example of Olaf and Inga, a couple who rely on each other to supply the information that structures their lives in a manner functionally equivalent to the way that Otto relies on his notebook. The differences Tollefsen identifies concern the nature of the relationship between Olaf and Inga, as compared to that between Otto and his notebook. She sees the nature of the relationship as a difference that alters the kind of cognitive processing going on. By looking more closely at the distinction between the two, I will explore whether and how this difference alters transactive memory systems when they are employed by organizations to produce group cognitive processes aimed at efficiency and output maximization.

Tollefsen argues that the collective coupled system of Olaf and Inga is more active than the coupled cognitive system of Otto and his (passive) notebook; people can *withhold* information, they can *deceive*, but they can also provide more than mere information (p. 144). Tollefsen claims that Inga's active participation may lead Olaf to

endorse the information she provides in a way he would not if he were retrieving the information from a notebook. Tollefsen notes that, “because Inga is an active participant in the coupled system of which she is a member her presence is more reliable than a mere artifact. A loving and committed, cognitive partner, Inga is always there – through sickness, health, and memory loss” (p. 143). What Tollefsen hints at, and comes close to making explicit, is the effect of trust on our interpersonal relationships and the degree to which such trust can lead to endorsements of information from trusted sources. However, we do not need a deeply intimate cognitively coupled system to accept Tollefsen’s more general point that the level of trust in the collective coupled system, because it is made up of two agents that depend on each other to construct the cognitive process, is more interdependent than the coupled system comprised of an individual and a notebook. The recognition of the different ways of relating to each other within organizations prompts us to look deeper into the procedures of information processes to determine how treating other persons as mere data storage devices affects the kind of reasoning capacities in which these groups engage.

In organized transactive memory systems, trust can enhance group functioning. Organizational behavior studies have demonstrated that transactive memory systems exhibit high degrees of efficiency within organizational settings when this trust and group cohesion is present (Moreland, Argote, & Krishnan, 1998; Argote & Ingram, 2000), particularly when communication is high between group members (Moreland & Myaskovsky, 2000).<sup>89</sup> The kind of structured ways in which people relate to one another within complex organizations supports this point as well. When two people or a network

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<sup>89</sup>These studies have provided both direct and indirect evidence of the positive effects of transactive memory on group performance, such as efficient storage and recall of knowledge.

built around people acting in transactive memory systems operates within the confines of an organization, particularly one that experiences a high degree of member turnover, we cannot expect the presence of trust or loyalty, particularly when we compare the level of trust we might expect in a committed relationship between life partners.

Particularly in organizations that have high turnover, the relationships between people in organizations are defined by their institutional role, which is based upon transactive interactions with others. Transactive systems function just as well when information is communicated to team members about who possesses which skills (i.e. the individual team members are not trained together) as when team members are trained together and develop trust (Moreland and Myaskovsky, 2000).<sup>90</sup> Trust based on friendship, fidelity, or loyalty is not necessary for transactive memory systems, and interpersonal experiences can hinder group output.<sup>91</sup> Particularly when interpersonal experiences lead to conditions of distrust or organizational cynicism, transactive team-based efficiency breaks down (Dirks & Ferrin, 2001; Dean, Brandes, & Dharwadkar, 1998). When I become a new member in the department, I expect that my chair will design an equitable teaching schedule because she is the chair. After I get to know *her*, I may think she is an equitable person because she has demonstrated this over several semesters, or I may come to think otherwise. Likewise, when I input data into the computer to calculate output projections for an organizational decision, and additional

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<sup>90</sup> This experiment tested whether the benefits of transactive memory systems are due to improved communication among group members. The results indicated that they are not. Groups whose members were trained apart, with no chance to communicate with one another, performed well after receiving information about one another's skills. Their performance was comparable to that of groups whose members were trained together, and both types of groups performed significantly better than did groups whose members were trained apart.

<sup>91</sup> It is often the case that these kinds of intimate relationships are discouraged for fear of nepotism. Particularly in the case of office-based romantic relationships, many organizations discourage, if not ban altogether, the mixing of professional and personal life.

input from another person in the organization is needed, I assume the person occupying that role will input the data, not because I particularly trust that person, but because she occupies a given organizational role. Thus, I trust that anyone in that position will act in accordance with that role.

Highly structured organizations, such as factory firms or hierarchical firms, have set roles that are not (typically) personalizable: the person conforms to the role rather than the other way around, whereas organic firms with low levels of standardized roles and dispersed authority structures would depend more upon trust to establish a shared cognitive system. As people take on roles that are transactive in nature, such as in the case of highly structured organization settings, we would expect them to conform to the performance expectations of their roles, including the way they employ reasoning skills as members of the group. Reducing uncertainties in group transactions that produce knowledge necessary for group judgments would dictate the development of roles that strictly define the expectations of group members. When people act within defined roles or answer to efficiency demands, we should expect that their engagement with other people would constrain the way they engage and consider information throughout the decision-making processes. When information is taken out of the hands (or minds) of particular individuals, and knowledge is produced through firm processes, decision-making processes become streamlined. As decision-making processes are streamlined, firms can reduce uncertainty through consistency in judgments; that is, judgments that display strategic rationality.

I have argued for an understanding of how business firms organize individuals into working groups that function as transactive memory systems. The purpose of this



discussion has been to understand how individuals can coordinate to produce group-level knowledge that enhances organizational efficiency and enables the group to achieve and maintain a competitive advantage through a dynamic learning process. However, we ought not assume a similarity between this mode of engagement and other kinds of collective cognition. The shared cognitive systems these kinds of groups encourage are based on transactive information extraction and exchange. This transactive process results in consistency in judgments, but it also constrains the kinds of reasoning that people share during group transactions. The kind of reasoning that they make explicit reflects the roles they occupy.

### 3.3.2 Instituted Knowledge and Moral Reasoning

Determining how groups make decisions is no easy task. Particularly when our social arrangements explicitly promote maximizing output within firms, determining a firm's intentions outside of our representations of them is especially difficult. At the level of group processing, strategic rationality may dictate that firms ought to act as if they can understand the morally weighty variables with which their judgments struggle. In other words, if a corporation engages in a sufficiently rational decision-making process, it will be able to consider morally weighty statements and proffer a judgment in accordance with past decisions, and maybe even provide justification for its decision, although this capacity does not entail that we demand that the corporation *demonstrate* its robust ability to engage in moral reasoning. We frequently see this in companies' response to disaster. For example, consider BP's response to the Deepwater Horizon incident (2010):

BP immediately took (some) responsibility, acknowledged wrongs done to particular people, and took courses of action to remediate those wrongs.<sup>92</sup>

On List and Pettit's account, a group judgment occurs when a choice is presented for consideration (i.e., statements of possible action are included on the agenda) and the group undertakes the appropriate decision-making processes, in accordance with its structure, for endorsing or rejecting those statements or courses of action. List and Pettit claim that there is no principled reason why we should think that such groups cannot engage in moral reasoning because corporations involve individuals (in the committees, as part of the authorized subgroups, or as the official representatives who make the decision) who can (and presumably do) engage in moral reasoning in their everyday lives outside of the organization (2011, p. 159). Yet, the justification for understanding certain organization structures as agency-producing has to do with producing logically consistent judgments, and the deliberation processes in organizations that result in logically consistent judgments do not ensure that the reasons for actions are moral in nature. In other words, the ability to reason practically does not entail moral reasoning.

List and Pettit's account does not seem to take into consideration how information processes in shared cognitive and transactive memory systems can change the way that decisions are made such that the decision-making process itself no longer mirrors how individuals make decisions in their daily lives. This is to say that List and Pettit do not seem to take seriously the transformative role that buy-in and group participation play when people participate within these kinds of organization structures. In other words, List

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<sup>92</sup> To track the progress and extent to which BP is living up to its avowed commitment, see the BP site dedicated to the Deepwater Horizon incident. Regardless of whether or not we think BP is sincere, the site demonstrates that they are at least committed to the *appearance* of sincerity.  
[http://www.bp.com/sectionbodycopy.do?categoryId=41&contentId=7067505&nicam=PaidSearch&nisrc=Google&nigrp=GOM\\_B-E&nipkw=BP\\_Spill&niadv=bp\\_oil\\_spill](http://www.bp.com/sectionbodycopy.do?categoryId=41&contentId=7067505&nicam=PaidSearch&nisrc=Google&nigrp=GOM_B-E&nipkw=BP_Spill&niadv=bp_oil_spill)

and Pettit's account does not capture how the organization structure heavily influences the kinds of reasoning in which individuals in the decision-making processes engage, and in turn, how this constraint impacts an organization's agential capacities. Decisions made by these kinds of group agents are often arrived upon through processes that ensure that the group demonstrates strategic rationality, but these processes also function through an epistemic division of labor. This division of labor often divorces the decisions produced from the individuals who construct the knowledge that underlies group decisions; this also means that those most likely to recognize the morally salient features of the decision-making process are not necessarily those who make the decisions. Particularly when automated systems are used to calculate the most logical course of action given a specific goal, and group members act in accordance with the calculated solution, the group can still be said to engage in reasoning *simpliciter*. In such instances, organizational design does not include a level at which the group morally reflects about whether the end is worth pursuing.

The ability to reflect on the ends one is pursuing and decide whether to pursue those ends or select a different set of ends, enables group agents to begin to recognize themselves as a source of action. This is to say that the ability to engage in moral reasoning necessitates a different kind of connection between the action and the agent. The agent must have the ability to think of itself as a cause; it must be able to have a representation of self. The economic group agent is certainly a cause toward the end of maximizing output, but that end has been determined by the representations of a particular kind of firm function. However, if an economic group agent could reflect upon whether it should pursue *that* end, then it would bring into the decision-making process

the ability to choose the means to that end, and even when not to take that end as the one to pursue. If the function of economic group agents is, in part, to minimize uncertainty toward the aim of maximizing output, enabling the agents to question the end opens up the possibility of greater control over their actions.

However, one may argue that to implement systems (such as feedback loops that alert managers and decision makers of what morally relevant features to consider at any point in the decision-making process) in highly structured organizations would risk straining firm efficiency. Imagine if every checker at Wal-Mart could bring an issue to the CEO or district manager. It would seem that efficiency in decision making would be threatened if every point of information sharing and knowledge production could be stopped for moral reflection and deliberation, although firms could piggyback this kind of feedback-based reflection on their systems checks on efficiency. Systems checks for efficiency occur at every level of group action. Many companies create reporting mechanisms by which they can cultivate ideas about reducing waste, increasing safety, or identifying opportunities for better contracted pricing. We could explain each of these three suggestions in either strategic or moral terms. Reducing waste decreases disposal and clean up costs. It also has the benefit of not damaging the local environment. Increasing safety decreases the amount paid out in lawsuits and worker's compensation. It also ensures that the workplace does not harm people in preventable ways. Cutting spending, regardless of where the reduction occurs, increases profit margins. Cutting spending could also allow the firm to employ more people, ensure that employees have access to benefits, or give back to the local community. The problem is that the moral

language employed does not provide a way to track when and if practical reasoning or moral reasoning is present in the group decision-making process.

These examples have shown no conflict between moral reasoning and strategic rationality. That is to say that what was good for business did not conflict with the results of moral reasoning we would expect from such considerations. However, we should not expect this to always to be the case; particularly when the end is maximizing profit, moral reasoning would often result in recommendations that contradict strategic rationality. For example, take the controversy surrounding Starbucks' support of the same-sex marriage bill in the state of Washington. One of the shareholders, Tom Strobhar, asked Starbucks CEO Howard Schultz how the company could justify an action grounded in moral choice that conflicted with business *strategy*. Strobhar stated, "What concerns me is possible economic boycotts, shareholder resolutions, things that might affect the sales of our company, the earnings. [I]s it prudent to risk the economic interests of all the shareholders for something that might affect the private lives of a very small percentage of our employees?"(Butts, 2012). The expectation that a firm should refrain from taking actions that threaten its profitability, even as the action may serve the interest of equality or justice, is clear.

In the case of shared cognition in organizations, especially in cases where the firm has developed intricate information processing systems, efficiency is promoted through the division of intellectual labor. Technology aids in the efficiency of information sharing by linking sources of information (persons) to recipients who use the information for constructions of different knowledge or to build on the initial data input. Knowledge construction used in the process of group decision making is produced by a multitude of

individuals, who add information into a system to generate calculations, predictions, forecasts of demand, etc. In such cases, individuals at various stages may check the calculations or decisions produced to ensure that the information was entered correctly (e.g., that forecasted demand is not unusual compared to past precedent, that the T accounts balance, that no data is missing). When individuals occupy roles within organizations, many of their expectations are defined by the experiences of those who have come before them, by the structures that have been developed to ensure efficiency as people enact specific organizational roles.

When List and Pettit describe the process of group moral reasoning, they seem to want more than people recognizing information as they enter it into a system. Ensuring that group agents engage in moral reasoning would require stricter decision-making policies, or another design desideratum altogether. This kind of involved decision-making also seems to differ significantly from processes wherein deliberation over how each stage of information gathering and consideration leads to the display of group rationality. The kind of group processing that allows for group judgments would have to be more demanding (i.e., require more than logical consistency) and would produce recommended actions that are not always optimal for output (i.e., the maximization of profit). This kind of demandingness would need to become a quality required from external systems or otherwise promote the firm's interests. Otherwise, the strategic cost to companies that engage in moral reasoning would be too high.<sup>93</sup> To use a game theory analogy, in the land

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<sup>93</sup> In "How can organizations be competitive but dare to care?" Andrew Delios (2010) presents significant empirical data showing that the nature of industry and the institutional environments in which organizations exist jeopardizes the competitiveness of organizations that implement practices prioritizing care and social responsibility over profit maximization. He further shows that globalization amplifies the economic risks to the organizations. The solution he suggests is that organizational leaders should proactively change the nature of their competitive environment to one more conducive to those ends.

of defectors, cooperators lose. In other words, organizations cannot escape their economic imperative. Systems of constraint (e.g., external legal or regulatory systems) can, however, alter that imperative. Such change would have to arise from altering the external assessments and evaluations used to encourage or discourage certain kinds of firm behavior. This is another instance in which the environment comes to bear not just on how particular firms will come to evaluate possible courses of action, but also on how those outside the firm will come to understand the firm differently, using a different representation to understand *how and why* the firm came to the decisions it did.

### 3.3.3 External Assessments of Firm Capacities and Judgments

In market environments, firms are assumed to make decisions in accordance with limiting transaction costs and establishing or maintaining a competitive advantage. With this economic *raison d'être* the external modes of assessment from other firms and from other social institutions assume that the primary basis for decisions will accord with the demands of firm survival through promoting its self-interest. It is assumed that firms act and are assessed in accordance with profitability, and valued accordingly. Firm rationality shows up only when it displays itself in accordance with strategic rationality; that is, in accordance with maximizing firm value. If firm managers or employees enact actions to the contrary, such actions will appear irrational. For example, if a firm donates to charities past the point of tax incentive, and additional benefit from positive public relations is not reflected in the market value of stock, the charitable actions would be deemed irrational. The perception of irrationality--acting in a non-optimal manner--of firm behavior can negatively affect the firm's ability to attract investors and maintain the appearance of competitiveness (Spulber, 2009; Mackey, Mackey, & Barney, 2007).

In the instance that a group agent could make judgments in a way that considered the moral gravity of the decisions and act in accordance with those decisions, those outside the firm would not be able to discern this capacity from firms that act strictly in accordance with strategic rationality. Even when moral language is employed, it is done in a manner that shows how acting morally is also strategically rational (i.e., good for business). For example, even as Mike Duke, Wal-Mart's president and CEO, explains how great it has been to "see the role that Wal-Mart has played on the big issues that really matter," he also admits, "it's clear to me that sustainability is an area where Wal-Mart leads." One of the first lines of his sustainability message is that "[s]ustainability continues to make Wal-Mart a better company by reducing waste, lowering costs, driving innovation, increasing productivity and helping us fulfill our mission" ("Message from the CEO," 2010). Here we can see the slippage from acknowledging "big issues that really matter" to "reducing waste, lowering costs, driving innovation, increasing productivity," all qualities that make a company *competitive*. We can infer from this message that the company really does consider the moral reasons for implementing sustainable practices, but emphasizes that these practices are good for business. External evaluators of firm behavior take such strategies to be further evidence of the degree to which such firms will go to ensure they have a competitive advantage over rival firms, rather than evidence that the firms reasoned morally and acted accordingly.

The more general problem is that the traditional role of firms in our society holds the actions of firms to standards of instrumental, rather than moral, justification. It is by virtue of the fact that firms employ the language of instrumental evaluations as their justification for actions that those outside the organization discount the degree to which



these kinds of agents can engage in moral reasoning. One might wonder about the inevitability of this system; how might we alter the environmental variables, thereby encouraging firms to develop the capacity to engage in moral reasoning, and how might the external community notice such a capacity?

### **3.4 Environmental Values to Promote Recognition of Moral Reasoning Capacities**

If our purpose is to discuss the possible agential capacities different organization structures could be capable of, and what this might be like, we will need to better understand the conditions under which others might recognize this capacity. I have argued that representations of firm function govern systems of constraint. As such, an environment that reordered priorities of firm function to reason morally about the ends the firm pursued would be reflected, in part, in the systems of constraints influencing organizational development. This kind of shift in how a society solves the problem of coordination would transform not only how a firm develops its capacities, but also the way we conceive of the possibilities for firm agency and judgment capacities. It does not have to result in firms that are not competitive, but it will constrain the way that they compete.

When a corporation makes a decision, the ability to engage in moral reasoning is not simply a reflection of whether or not the firm can proffer a response or give a justification for its actions, but *how* the process enables the group to understand itself as an agent acting for reasons in the first place. When a corporate agent considers, for example, whether or not to establish an employee education fund, to downsize “redundancies” in personnel, to pay a living wage to international employees, or to clean up the local environment after decades of ill-managed waste disposal, moral reasoning is

more than considering what would produce the better outcome for the firm's set ends. It is also entails deliberating over the ends aimed at and how to achieve those ends, which could dictate foregoing profit or minimizing harm at a cost to the company, if it is the right thing to do. Even as economic group agents become moral agents, this does not mean they will resemble the kinds of moral agents we take individual human beings to be. Economic group agents will be limited in the scope of moral life in which they engage. With the recognition of these limitations, we can also recognize the reasons to constrain these moral agents in a way that mirrors the scale of moral agency.

In the next and final chapter, I will examine the limits of moral agency in economic group agents. I will use these limits to inform our thinking about group responsibility, the kinds of obligations economic group agents might be able to assume, and the extent to which economic agents who function as moral agents would have to reflect this moral agency in their interactions with group members. The interactions between the organization structure and the members, who are the building blocks of group agency, will need to structure the process of buy-in to produce the kind of moral reasoning capacities necessary for the group to function as a moral agent. Transactive memory systems, as I have argued in this chapter, may be sufficient to produce group agents who function in accordance with standards of organizational efficiency, but this will not sufficiently encourage the kind of buy-in necessary to bring about and sustain moral group agency. By understanding member buy-in as a transformational act that affects how group members come to think of themselves in relation to the group, I argue that group agents that are virtuous moral agents will need to prioritize a particular kind of organizational life. Specifically, I argue that if the group wants to promote moral

reasoning, it will need to treat members with moral respect in order to encourage and sustain this kind of reasoning. In doing so, group incentive structures that directly shape members' practical identities through the transformational process of buy-in will also need to reflect moral respect for group members.

## **Chapter Four**

### **Corporate Agency and Responsibility**

*The business of business is business. —Alfred Sloan, CEO of G.M. (1923-1946)*  
*The business of business is people. —Herb Kelleher, Co-founder of Southwest Airlines*

#### **4.1 Introduction: Economic Associations, Responsibility, and Obligations**

I have argued that business firms, as we understand them within particularized histories and embedded in systems of power relations, are constrained by external and internal structural variables. The internal and external pressures that encourage strategic rationality allow those outside of the firm to interact with the group as a locus of agency. As entities that can engage in practical reasoning, other agents (i.e., individual human agents or other group agents) expect the economic group agent to understand its potential to set into motion events that affect others. Combining the ability to reason about consequences with the freedom of choice over the means toward an end, other agents are justified in treating this kind of group agent as the proper target of responsibility. As responsible agents, other agents can form reactive attitudes toward economic group agents, praising or blaming the decisions that act as the basis of their actions. In this way, one might say that an economic group agent is more than a minimal agent; it is a kind of person.

Even if one considers economic group agents as a kind of minimal person, the norms governing this kind of agent are not the same norms that govern the range of interactions people experience with other persons. We would not expect an economic organization to be friends with us, care about us, or consider our ends the way our friends

would. This is to say, we would not expect group agents to engage in the same range of interactions that other moral agents employ. Thus, even as the group agent may be capable of engaging in moral reasoning, and even counted as a kind of moral agent, the strict limitations in the range of moral life that the moral group agent can experience distinguishes this kind of moral agent from full persons.

The way we understand firms to act influences the kinds of interactions we expect economic agents to engage in or take on, as well as the degree to which those interactions bind economic agents with obligations. One way economic agents take on obligations is by entering into legal contracts with other persons and corporate agents. We would not be surprised to learn that economic agents might break such contracts if the payoff were in their best interest. This kind of strategic action reinforces the perception that economic group agents understand and respond to economic incentives and fulfill obligations when the outcome results in the maximization of self-interest. Given the current institutional incentive structure constraining economic group agents, we would expect this kind of agent to respond to strategic reasons, even about morally weighty issues (e.g., whether or not to break a promise). Likewise, when it comes to attributions of responsibility and fulfilling obligations, we would hold a strategic rationalizer accountable for fulfilling obligations to others, even if the bindingness of those obligations are prudential reasons, not moral ones. However, as I argued, changing the way we represent group organization structures opens up the possibility that group agency can arise from the interplay between internal and external variables, thus altering the way the group reasons about its actions. In this way, I have argued that the scale of organization types should expand to include the possibility of groups who can collectively engage in moral reasoning and act in a

manner that reflects group agency. We might wonder how this change in group capacity affects the degree to which we think group agents can take on obligations, that is, to be responsible agents.

In this chapter, I discuss the limits of group responsibility, how engaging in moral reasoning might make us think differently about responsibility for economic agents, and how this reasoning capacity can be demonstrated within the group. From the discussion of group responsibility, I will move to explore in more detail the kind of organizational life that a virtuous group agent would endorse. In particular, I examine how this kind of group agent would engage with members, how we might envision that organization practices within these kinds of groups would be able to support and enable an economic group agent who is also a member of the moral community, and what granting moral status to these kinds of agents would entail in terms of group rights.

This discussion will begin by examining the model of group responsibility presented by List and Pettit, and suggest a modified version of their account of group responsibility. List and Pettit suggest group members' responsibility should be mitigated by the role that they play in organizational decision-making processes. I suggest that attributions of responsibility to group agents should mirror this account and be mitigated by a group agent's possibilities for developing different kinds of reasoning capacities. When situated in an environment that does not promote group agents that engage in moral reasoning, we should not be surprised that moral reasoning is not present, or that attributions of moral responsibility will ring hollow to the group agent.<sup>94</sup> Thus, within systems that constrain group agential capacities against a standard of strategic rationality,

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<sup>94</sup> To be clear, under these conditions, it would still be perfectly reasonable to hold the individuals within the group, to whatever degree appropriate, responsible in a more demanding sense. That is to say that individual agents may still be the proper target of reactive attitudes, moral praise or blame, and the like.

group agents should still bear the consequences of their actions, but the grounding for responsibility will be the agents' causal role and the degree to which they could have reasonably done otherwise. That is to say that under market conditions, group agents should be held accountable for their actions because they have rational self-control.

When group agents operate within a system of constraint that models, promotes, and aids in the development of group agents that engage in moral reasoning, attributions of moral responsibility for actions become appropriate. When the group agent has, as part of its decision-making processes, the ability to consider and understand moral reasons for actions, such as recognizing an action as harmful to another person (e.g., explicitly unfair, physically unsafe, degrading, violating their dignity), holding the agent accountable is justified not only because the agent was causally responsible for its actions, but because the agent *chose* its actions. In addition to taking on accountability, the group agent becomes a proper target of the reactive attitudes<sup>95</sup> of others. Moreover, since the group agent is now a moral agent, we would expect it to be able to respond to the reactive attitude (e.g., express guilt, be remorseful, change its policy to alleviate wrong-doing). However, I argue that being in a position to be held morally responsible for one's actions is not enough to discern when a particular economic agent functions as a moral agent. I argue that economic agents who model their decision-making processes and actions against a standard of moral reasoning will prioritize a particular kind of organizational life, and identifying this way of life will help us recognize moral group agents.

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<sup>95</sup> I am not attempting to spell out the scope of reactive attitudes; whatever that scope might be, I will assume that some will not be understood by group agents and others cannot be appropriately applied to group agents (e.g., amorous love). Likewise, defining exactly what kinds of reactive attitudes might be appropriately targeted at economic group agents is outside of the scope of this project.

List and Pettit discuss incentive structures within organizations as a way to ensure member buy-in. Member buy-in, they argue, is the foundation of the group agent because it promotes a tight connection between group members and their role in bringing about and sustaining group agency. I argue that member buy-in should be considered more than an incentive structure that entices members to comply with group demands. By understanding member buy-in as a transformational act that affects how group members come to think of themselves in relation to the group, I argue that group agents aiming to be moral agents will need to prioritize a particular kind of organizational life. Specifically, I will argue that if the group wants to promote moral reasoning, it will need to treat members with moral respect in order to encourage and sustain this kind of reasoning. In doing so, group incentive structures that directly shape members' practical identities through the transformational process of buy-in will also need to reflect moral respect for group members. I argue that moral economic agents ought to prioritize the kind of organizational life that adheres to a standard of organizational justice.<sup>96</sup> I end by discussing how these suggestions come to bear on contemporary accounts of human resources management and organizational design.

#### **4.2 List and Pettit's Account of Responsibility**

List and Pettit (2011) discuss how to hold individuals within the group agent accountable for their actions, and how to hold the group accountable for actions not reducible to the actions of particular individuals. They defend their two-tier account of responsibility against the claim that holding the group responsible for what individual

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<sup>96</sup>A group agent that is also a moral agent must be able to demonstrate that it can understand moral reasons for actions and take these reasons into account during its decision-making processes, and the actions that it chooses should not explicitly violate the most basic level of well-being for its members. Such violations will only undermine the member buy-in necessary to produce and sustain group agency.



members do in the name of the group is redundant. They develop a more nuanced account of individual and group responsibility. List and Pettit claim that individual members should be understood as acting *within* their organizational role, and they advocate mediating individual responsibility by contextualizing the individual's limitations on personal freedoms, rights, and the degree of authority that comes with their group role. Individual responsibility, then, comes in three different kinds, depending on one's role in the organization: designer, member, or enactor. Each kind of responsibility can be attributed to a person within the group based on the individual's causal role in influencing the organization's decisions or actions.

Designers of the organization are responsible inasmuch as they have the ability to directly shape the beliefs and desires of the group agent. List and Pettit liken designer responsibility to the responsibility of parents to their grown child; they influenced the child's formative habits, but the scope and scale of this influence does not replace the child's responsibility for its actions (List & Pettit, p. 164). Group members become responsible only when the group has *done* something. That is to say, unlike designer responsibility, which can be attributed to a person based on her ability to shape group beliefs or decision-making systems that produce beliefs, member responsibility enters the scene only once the group agent acts. Thus, as group agents do good or bad things in the world, the members' responsibility will vary based on their roles in the group. Finally, enactor responsibility adheres to individuals for what they do in the name of the group. Enactor responsibility, they claim, is determined based on "the extent that they could have refused to play that part" (List & Pettit, p. 164). Thus, attribution of responsibility to

the group makes sense when accountability for individual actions does not fully mitigate the consequences of group actions.

In their account, List and Pettit describe the interplay between developmental (external) systems of constraint and systems of constraint that the group agent takes as its own (internal) (List & Pettit, pp. 156-57).<sup>97</sup> The first, external developmental constraint, limits the form groups can take and the rules by which they have to play when operating or engaging with others in the public sphere. Such systems of constraint operate through legislation and enforcement of social norms of reciprocity and fair play. The second kind of constraint, systems of internal constraint, limits and gives shape to the range of permissible actions open to the group agent in the same way that primary decision-making constrains secondary decisions. In other words, the internal constraints represent another feedback mechanism that reveals whether or not a group agent's choice of action would accord with prior actions. The interplay between the two systems of constraint can be understood as an exchange between systems that present the guidelines of rational action and the internalization of expectations. Attributions of accountability and responsibility derive from the fact that group agents understand the expectations and consider them when they make choices that violate or accord with these expectations.<sup>98</sup> Similarly, when economic group agents act within a system that recognizes their agency, this recognition opens up the possibility of granting the group the ability to enter into different kinds of relationships with people. Thus, the recognition of group agency is the

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<sup>97</sup> Although this interplay is meant to describe how we come to appropriately attribute accountability and responsibility to group agents, it could easily be read back into their account of how we mitigate individual responsibility.

<sup>98</sup> It should be pointed out that group agents, as with individual agents, are not bound by these expectations in an absolute sense. Expectations, particularly in the form of legislation, are quite permeable. Economic group agents can influence regulatory standards, lobby for changes in regulations, change jurisdiction to a different system, etc.

first step in the process wherein a group agent becomes a candidate for being considered a responsibility-bearing entity capable of taking on obligations.

List and Pettit explain that as group agents take on obligations, such as those they incur as a result of a legal contract, these obligations become part of the internal systems of constraint. That is, the obligations become part of the internalized set of expectations that a group agent considers during deliberative decision-making. As a group agent considers these obligations as part of its decision-making process, it enters this space of obligations (List & Pettit, pp. 177-78). But this space of obligations, that is to say the *legal* space of obligations, is a particular kind of social space. The threshold for entering this rather confined space of obligations is the ability to engage in practical reasoning.<sup>99</sup> There are, however, different social spaces of obligations beyond this.

Moral agency opens up a realm of obligations that overlaps with legal obligations, but also moves beyond this rather narrow space. For example, if a company “promises” me a product integral to the operation of my company by a particular date, such as a software upgrade, and they renege on that contract, then they owe me my original investment plus other potential damages (e.g., the software upgrades were designed to prevent some Y2K meltdown and now all my computers are nonoperational; I am able to claim damages based on the reliance they induced). I am entitled, then, to compensation, per the agreement that was entered into. I am not, however, entitled to expect the company to express remorse. However, when another person entices me to rely on her by promising to give me a ride to work, and she does not follow through with the promise,

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<sup>99</sup> Even among individual human agents, those who cannot exhibit rationality in accordance with the standard set by social norms are barred from taking on these obligations voluntarily or being held accountable to uphold them. I’m thinking here of the status of mental defect, insanity, or underdeveloped rationality (i.e., children).

unless she has a compelling reason I am justified in my anger at her. I am, generally speaking, not justified in bringing a lawsuit against her, but I may at least be entitled to an apology. Thus, when List and Pettit claim that we can censure economic group agents, and do so through reference to *their* obligations, expecting them to be moved by the reminder (List & Pettit, p. 174), a bit of a leap is being made that parallels the leap they made in detailing the kinds of reasoning capacities we can properly expect from group agents.

In a move similar to the assumption that practical reasoning entails moral reasoning, List and Pettit imply that entering the space of legal obligations entails that group agents can enter a space of moral obligations. When the group agent enters the space of moral obligations, List and Pettit claim that the group agent becomes a kind of person, a performative person.<sup>100</sup> For List and Pettit, this group person is performative in that it “is capable of contracting obligations by entering into legal and other conventional arrangements with others” (p. 173). Here again, we come upon the question of whether the kinds of capacities an agent, any kind of agent, would have to possess to enter into a system of legal obligations are sufficiently robust to infer that they can grasp the moral reasons for acting and curtail their behavior in light of *those* reasons. Group responsibility for actions, just as with individuals, should be indexed to their capacities. Moreover, even if group agents and individual human agents considered moral reasons and acted in light of those reasons, this does not mean that these agents “access precisely those resources of mutual influence [and] call on one another as parties to a shared system of expectations and obligation and expect that call to be heard” (List & Pettit, p. 174). As I will discuss,

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<sup>100</sup> To be clear, List and Pettit do not advocate that group agents are full persons. Among the differences between group agents who are performative persons and human individual persons is that group agents do not have a right not to be sold and they have extensive power that must be checked (pp. 180-185).

we have good reason to think that individual human agents have systems of expectations and obligations that do not apply to and cannot be accessed by group agents.

#### 4.2.1 Situating Group Responsibility

As I mentioned earlier, there are two senses in which we can hold agents responsible for their actions. When the group agent has, as part of its decision-making processes, the ability to engage in practical reasoning, understand the consequences of its actions, and deliberately chooses to act in a manner that satisfies or violates its obligations, we are justified in holding that agent accountable. This kind of agent, be it individual or group, not only can be held accountable, but is also the proper target of others' reactive attitudes. This is to say that as long as the agent in question, individual or group, is self-reflective, i.e., one who understands itself to be a causal force for the actions that it undertakes intentionally, recognizes itself as a causal force of change in the world, and has the capacity to reflect upon its ends, the agent is morally responsible and accountable for its actions.

When group agents (agents who can reason practically) act in the world, we should at the very least hold them accountable for their actions. If they choose to break contracts, they should have to pay. If they cause harm to the environment, we should hold them liable. But, to what degree do we say that they are responsible? In a way similar to how we would calibrate our attribution of responsibility and accountability to individuals within the group based on their degree of control over group decisions (designers), their involvement in group decisions and actions (members), and their freedom to do otherwise (enactors), so too should we calibrate group responsibility. The development of a more nuanced account of group responsibility should be indexed to the group's possibilities for

action based on standards similar to those List and Pettit use to index individual responsibilities.

Even when we cannot discern the kind of reasoner the organization is, a more nuanced account of group responsibility will give us a basis from which to hold the group responsible. By looking at the particularities of the economic group agent within systems of constraint, we can attribute group responsibility based on the role that particular kinds of group agents play in the larger society. For example, when a firm leads an industry and sets up expectations that smaller firms must meet to stay in business, the group demonstrates the ability to minimize uncertainties in its environment by influencing inter-group community standards. This justifies us to attribute greater designer responsibility to this firm. When an economic group agent has the power to engage in deliberation with the systems of regulation (e.g., lobbying efforts, negotiating government incentives, petitioning to increase group rights within society), we are justified in attributing to them member responsibility for their actions. Finally, when we attribute responsibility to firms that control multiple points on a supply chain, and as such influence conditions of exploitation in other sectors, the relative freedom of choice they enjoy in dealing fairly with other vendors allows us to justify holding such firms accountable for policies that enact such conditions. These all represent different kinds of responsibility (as accountability) that we can attribute to economic group agents without appealing to the kind of reasoner (moral or practical) that they are.

As List and Pettit have pointed out in their discussion of individual responsibility, we have to calibrate individual responsibility against the standard of reasonable expectation for *that individual's* agential capacities. When looking at firms within

laissez-faire market environments, we can begin to identify which corporations have the different degrees of agency within the larger institutional frameworks. When we understand the degrees of freedom—the degree to which the agent could have chosen differently—that firms have to minimize uncertainty and internalize risk, we can better calibrate group responsibility to group agency. We might want to know, in addition, when it would be appropriate to attribute moral responsibility to such groups.

One consequence of a more nuanced conception of group responsibility is that we can start to identify the ways in which the systems of moral expectations and obligations are enforced by the expectations set forth by external systems of constraint. As I argued in the last chapter, the capacity to develop moral reasoning within group agents should not be taken as a given, but should be understood as a product of how economic group agents are organized and developed. Thus, when external environments prioritize and constrain group reasoning to engage in moral reasoning about actions, we can say that it is possible to judge the group agent's actions morally. Simply organizing systems of constraint that encourage groups to engage in moral reasoning does not mean that they will, but it is enough to open up a conceptual space where such group agents *could* be morally responsible. This point shifts the question to how we can know whether a group agent *is* engaging in moral reasoning. We can answer this question by looking at how the group works.

The organization depends not only upon the aggregate decision-making process, but also upon individual members to produce and sustain group agency. The same applies to the production of moral group agency. List and Pettit discuss incentive structures that encourage member buy-in as the foundation for group agency. Just as the standard for

moral reasoning processes is higher than for practical reasoning, so too is the standard for group member buy-in complicated when groups strive to be moral agents. By looking at the standard of respect presented by List and Pettit, that is, the standard necessary for individual members to buy in and promote group agency, we can identify the gaps between the way they use the term “respect” and a stronger notion of respect necessary for buy-in and promotion of moral group agency.

According to List and Pettit, the ideal of respect is the foundation of the relationship between agents, that is, the relationship between natural persons and group agents. Mutual respect between group persons and individual members “represents a form of relationship that can be grounded in the will of each, at least to the extent that the relevant obligations—the terms in which persons relate to one another—are accepted on all sides, as a matter of common awareness” (List & Pettit, p. 179). Without an expectation of respect, they argue, people will hesitate to buy into the group; furthermore, once they do decide to join, identification gaps would open and threaten group agency.

This ideal arises from a concept of respect as non-domination and non-interference, as much as possible. Where there is interference, List and Pettit advocate for respectful interference. Respectful interference allows group agents to incentivize particular courses of action or offer rewards, but also requires them to respect (i.e., not block or close off) exit options, by which individuals can decline a particular course of action in favor of an alternative. For example, if a company offers an employee education program that incentivizes the adoption of skills useful to the firm, this could be understood as a kind of respectful interference. In other words, the decision to opt out of the employee education program does not threaten one’s job (i.e., there is no *harm* in



refusal), even as it provides incentives for options that further the group agent's end (e.g., creating a supply of mid- to upper-level managers, creating more specialization of skills for knowledge production used during the decision-making process). Although respectful interference, and respect as non-interference, may be a proper standard for buy-in more generally, the promotion of moral group agency requires buy-in through moral respect.<sup>101</sup>

Moral respect within an organizational context could be expressed by setting up a system of incentives and policies that govern organizational design (e.g., hiring and promotion, vacation, sick leave); those that affect group members are designed to promote inclusion. Inclusive incentive systems and policies that govern organizational design are those that are enforced by procedures and organizational checks that demonstrate them to be consistent, fairly distributed (see Greenberg, 1986, 1993),<sup>102</sup> transparent, correctable, and responsive to employee feedback (Judge & Colquitt 2004, p. 395). This is to say that the systems of buy-in and managing members attempt to mirror standards of organizational justice. Moral respect, as it promotes inclusion, is more demanding than respectful based on the ideal of respect as non-interference. A group's incentives can be respectful, in that they do not *directly* undermine a member's goals, and still simultaneously and *indirectly* undermine the member's way of life. Buy-in is not only about what it takes to incentivize member participation in the group, it is also about how those systems of reward encourage and promote a way of life or standards of

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<sup>101</sup> One of the ways that I am distinguishing List and Pettit's respect as non-interference from moral respect (that is, respect which demonstrates moral reasoning about policies), is by arguing that moral respect is not only necessary for group member buy-in, it is also evidence of the group agent's ability to engage in moral reasoning, whereas respect as non-interference would be perfectly consistent with strategic rationality.

<sup>102</sup> Greenberg states "unbiased" instead of fairly distributed. However, when dealing with systems of inequality, sometimes fairness to persons necessitates biased treatment. For example, allowing a woman additional training and mentoring when she has been absent from the work force for 20 years is not unbiased, but it may be fair. This is to say that distributive fairness in organizations will have to balance equal distribution with distribution based on individuals' needs

professionalism that marginalize or otherwise undermine the dignity of members. Buy-in so understood is a transformative act, and for this act to promote the end of moral group agency, it should include processes that positively promote moral respect.

### **4.3 Moral Respect in Economic Associations**

Economic associations are powerfully influential agents in the lives their members. According to the labor statistics the U.N. reports for workers over the age of 15, individuals in the United States work approximately eight hours a day for most of the week, and a majority of them work more than forty hours per week.<sup>103</sup> Indeed, when we go to a cocktail party or meet new people at a concert, one of the first questions we ask is, “What do you do?” Moreover, as List and Pettit discussed, the extent to which large corporations have power to control the lives of other persons, we have only to look to Wal-Mart as a salient example. When a Wal-Mart opens in smaller communities, to a profound extent it quite literally determines the possibilities of what can be supplied and where people can work. Particularly with corporations such as Wal-Mart, the short-term positive economic impact on local communities is often outweighed by a drastic increase in individuals becoming dependent on welfare programs, a decrease in preventative medical care received by workers, and the closing of local shops and business.

List and Pettit argue, in their chapter on “Identifying with Group Agents,” that group members must identify with the collective to participate in the group-level processes that produce and sustain group agency. If members cannot or do not identify with the group, the group agent is threatened because the members do not give uptake or do what is necessary within their context of the aggregate decision process (p. 187).

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<sup>103</sup> According to the census data reported by the UN since 1985, in the U.S., 85.8 percent of males and 66.5 percent of females work more than 40 hours per week. Americans work an average of 33.6 hours per week.

When we begin exploring questions of organizational buy-in and the degree to which economic associations might function as a minimal person (an agent who can demonstrate practical reasoning and engage in self-reflective deliberations about its ends), we need to look at two related questions.

First, how do systems of reward and reinforcement promote a way of life that may hinder member buy-in? Second, how does the standard for the rewarded way of life come into tension with other identities integral to our individuated lives in a manner that violates moral respect, and thus undermines buy-in necessary for moral group agency? The second question, in particular, should be considered an extension of my critique against the concept of freedom underlying List and Pettit's account more generally (see pp. 40-42), and particularly as it applies to their description of appropriate incentive structures. I will argue that even as the standard of respectful influence put forth by List and Pettit may *directly* support a pluralistic vision of a good life, it may still *indirectly* set back individuals' self-interests, especially because group identities influence how group members' make sense of other practical identities. Exploring these two questions will fill out the picture of what a virtuous economic group agent, one capable of setting up internal systems of buy-in necessary to bring about and sustain moral group agency, would look like in practice.

#### 4.3.1 The Role of Identity in Responsibility and Respect

List and Pettit argue that without personal identification with one's role in the organization, the ties of individual responsibility start to loosen. I may not give uptake to the legitimate claims others make on me when I operate as a member (or designer, or enactor) of the group (p. 190). To repair rifts in the seam of group agency, the firm, other

members, or organization leaders must set up systems of support to encourage continued member investment in the organizational identity. List and Pettit point out that economic agents rely primarily on financial incentives to build and maintain affiliative bonds amongst group members. They also discuss how group membership may require self-sacrifice of personal identities when these identities do not correspond with group attitudes (List & Pettit, p. 199). This seems to be an overly simplistic view of the way member buy-in functions within the context of different professional structures.

Organizational incentive structures and standards of professionalism within organizations do not affect us *only* during our working hours.<sup>104</sup> These structures dictate more than what the group is able to do *for* me (or do not do for me); these structures are the fundamental aspects of the member buy-in process. Moreover, member buy-in is not just about minimizing conflicting identities to ensure that group members can function within the group, although this is part of their function. Rather, member buy-in and group membership, more generally, entails reconciling different practical identities. When we enact an organizational role, the process of buy-in alters the ways in which I evaluate whether or not to go along with the group identity. Those decisions, the ones we make as members of a group, also color how we make sense of ourselves and how others make sense of us outside the organization.<sup>105</sup> In other words, it is about how I, as a member of the group, find meaning and significance in the group. This is the sense in which I mean that the group plays a transformative role in the lives of its members. Virtuous economic group agents would encourage buy-in as a means by which to enhance the likelihood that

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<sup>104</sup> For an interesting study on the effects of organizational life on individuals outside of the organization, see Putnam (2000).

<sup>105</sup> For example, if I compromise or otherwise sacrifice some other practical identity I have in the name of the group, depending on the context, I may wonder if this makes me a bad woman, mother, friend, or partner. This example should also help clarify the sense in which buy-in is transformational.

a group member will engage in moral reasoning while they occupy their role in the group; they would aim to harness the transformative power of buy-in in a manner reflective of this aim. Without a holistic organization structure flexible enough to adapt to a plurality of practical identities, the individual member's personal identities could conflict with her roles in bringing about the group aims, thusly undermining group agency. Even when the incentive structures are not explicitly coercive, the roles we adopt within the group affect our other practical identities (i.e., those in the private sphere of control). As such, the incentive structures and the kind of practical identities with which they are compatible should be as pluralistic as possible so that member buy-in will be more likely, and moral reasoning within the group would be promoted for a variety of practical identities.

These buy-in structures also influence how we structure our private (home) lives and the degree to which we are able to pursue a life we find meaningful. Even as organizations may seek to enable members to pursue a way of life they find meaningful, when that way of life comes into tension with the standards of professionalism in a given industry negotiations between identities become difficult. This difficulty does not only concern the ways in which economic agents demonstrate respect for persons; more to the point, the difficulty arises when the standards of professionalism against which economic associations are judged *indirectly* undermine other practical identities agents endorse. Group agents, to the extent that they can exercise reflective deliberation beyond mere strategic rationality, are able to reason about their own organizational structure and how it is designed to promote group agency. The internal organizational design is directly under the group agent's control in a way that market regulations are not. Therefore, looking at

the most foundational level of the group's organization, and at how that organization encourages member buy-in, will allow us to infer what kind of reasoning capacities the economic group agent is attempting to create or maintain. The standard of moral respect for group members is relevant, then, because it would allow economic group agents to demonstrate the capacity to engage in moral reasoning in a manner that would be difficult to translate into strategic justification. Setting up systems of buy-in that adhere to a standard of moral respect will be challenging. However, by reordering organizational priorities in a manner that promotes moral respect, the group agent will not only create group incentive structures that will encourage member buy-in, but also demonstrate its capacity to engage in moral reasoning and to act accordingly.

Sarah Buss explains the difference between acting in ways that are directly or indirectly respectful (1999, esp. 802-7). When an organization engages in communication that explicitly recognizes members as valuable, the group is being direct.<sup>106</sup> For example, a company may state explicitly that they value feedback from every level within the organization, companies may have suggestion boxes in the break room, or managers may promote "open door" policies. These are examples of potential feedback mechanisms that help the group track member buy-in and the degree to which different group members identify with the aims of the collective. Acknowledging people directly ensures that they are aware that their feelings and points of view matter; acknowledging people indirectly ensures that they are aware that their feelings, projects, and values matter *within a specific context*. An organization may indirectly treat a member with respect when the group constrains or otherwise adjusts *its* aims out of respect *for that member*. For

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<sup>106</sup> It may be worth noting that the communication does not always have to be positive. Telling group members when they are not performing up to standards is also being directly supportive. Of course, how the information is relayed matters as well.

example, a company may have a general promotion incentive program to give everyone equal opportunity for internal advancement; this is a direct incentive. When the company also recognizes that women and historically marginalized populations face additional barriers to advancement, and provides additional mentoring or skills development for those populations, it indirectly acknowledges how to promote the interests of particular people within a given institutional framework. These kinds of organizational practices occupy a domain of decisions that well organized group agents could reflect upon, reason about, and modify to support and perpetuate group agency.

To look more closely at the ways in which actual economic agents seek to develop and maintain systems of respect and support, I will turn to ideals presented in human resource management theory. Using these ideals, I will fill out the story of how a virtuous group agent would set up systems of interaction between the group and its members. Furthermore, looking at the concepts of respect and respectful interference in business theory will serve two supplementary purposes. First, it will allow us to apply the standards under discussion to concrete cases that inform organizational practices, and to extrapolate from these cases to sketch what group buy-in systems within a virtuous economic group agent might look like.<sup>107</sup> Second, it will demonstrate more conclusively how systems of respectful interference within the organization *indirectly* set back the interests of group members, thus undermining member buy-in in a way that would undermine the production of moral group agency.

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<sup>107</sup> It should be noted that at this point in the analysis, while I am using theories that capture actual organization structures, my appropriation of these ideals within the context of virtuous economic group agents may not map on to any organizations actually in existence.

#### 4.3.2 Rethinking Ideals in Human Resource Management

In human resource management (HRM) theory, an inclusive workplace is the ideal. HRM theorists seek to achieve work-life balance, recognize achievements, and diminish the feelings of exploitation in employees through the creation of a diverse and inclusive workplace. Nicola Pless and Thomas Maak (2004) reframed the debate of organizational culture by appealing to the moral grounding of the concept of inclusiveness. Post-Pless and Maak, subsequent theorists, downplaying the role of moral values inherent in HRM, have sought to identify and measure perspectives of diversity within organizations (Allen et al., 2008), develop methods to “infuse” organization culture with inclusion (Chavez & Weisinger, 2008), and develop tools to identify skill gaps and deficiencies for remediation (Turnbull et al., 2009).

Attempts to implement the theoretical ideals of “inclusion” and “diversity” have proven difficult. Leaving to one side the justifications for adopting inclusive practices toward the strategic ends of increasing efficiency (e.g., better productivity and organization performance), we see HRM theorists appealing to the intrinsic goodness of creating an atmosphere of equality in organizations, fair distributions of rewards, or encouraging work-life balance. Just as List and Pettit suggest that member self-identification with the group is necessary to produce group agency, HRM recognizes that self-identification with the group is necessary for a member to preserve a sense of dignity, self-respect, and respect for other members. One of the primary goals of HRM is to develop methods and practices that enhance member buy-in to the organizational identity.



The organizational identity ideally reflects a vision and goals that are open-ended; that way, members can buy-into the organization's identity within their particular organizational roles without having to give up their individual differences or personal identities. The history of diversity initiatives has seen a shift away from simply including the historically marginalized in business organizations, an empty gesture that functioned as a kind of tokenism.<sup>108</sup> This picture of member buy-in was one that *de facto* required some people to yield core aspects of their identity and become like others, if they wanted to succeed in the organization.<sup>109</sup> Instead of encouraging member buy-in, such initiatives plunged many different kinds of people into organizations without providing procedures to create respectful engagement. In short, there was a diversity of bodies without a pluralism of perspectives.<sup>110</sup> More recently, the HRM literature has moved away from the primary goal of recruiting diversity of members and toward creating a culture of inclusion.

As pointed out by Carolyn Chavez and Judith Weisinger (2008), the difference between managing for diversity and creating inclusive environments is the distinction between emphasizing the differences between groups of individuals and creating solidarity in an organization by highlighting peoples' similarities. Creating supportive systems within organizations goes beyond respectful interference, but is one way to enable employee buy-in and identification with the group in a manner consistent with organizational justice. A turn to organizational practices will further illustrate how

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<sup>108</sup> For a thorough history of the relationship between Title VII legislation, affirmative action, diversity management, and the shift toward the culture of inclusion, see Edelman, Riggs-Fuller, and Mara-Drita (2001), Nkomo and Stewart (2006), Burns and Schapper (2008), and Chavez and Weisinger (2008).

<sup>109</sup> This identity conflict is discussed in detail in much of the literature of the past decade. See, for example, Caver and Livers (2002), Calás and Smircich (2006), Dawson (2006), and Nkomo and Stewart (2006).

<sup>110</sup> Pluralism in this context recognizes that individuals can have particular identities without having a singular, unified group identity (Mackenzie & Stoljar, 2000, p. 12).

inclusive environments encourage buy-in through moral respect for group members.

From these actual practices, we will build a foundation from which to explicate what kind of buy-in a virtuous group agent would promote and foster.

#### 4.3.3 A Second Look at Chavez and Weisinger

Chavez and Weisinger suggest that fostering understanding between organization members through a process of education and narrative-based shared experiences may have the best chance of enhancing organizational diversity (pp. 337-38). They describe a classroom-based learning approach coupled with sharing practices, such as making food dishes and explaining the significance of the dish, as a means to open up a social space within the organization that enables connections between members and mutual understanding through the sharing of histories.<sup>111</sup> The stated objective of these exercises is to empower individuals with deep-seated differences to open up to others and to “break barriers” between seemingly incommensurable groups.

The objectives of this approach are increased open communication, improved listening skills, and heightened comfort levels between different groups of people within the organization. These exercises build common ground by directly acknowledging people as worthy of respect. Sharing exercises, such as the example given by Chavez and Weisinger, give people a space to talk about *their* histories and share *their* stories, and in this way, the organization directly acknowledges that *they* matter. As List and Pettit point out, group agency often arises spontaneously, not because people are painstakingly thinking in group terms or subjugating themselves to the will of the group (p. 192).

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<sup>111</sup> It is important to note that these exercises are only successful when top management within the organization presents a story first, and gives freedom of choice to employees about what to share; management must be open-minded and be “ready for anything” (i.e., act as a facilitator to prompt reflection from the rest of the group without shutting anyone down, and encourage organic conversation) (pp. 342-43).

Creating an atmosphere in which members are more likely to develop different levels of attachment and affiliation with the collective will only encourage buy-in. Making time for these kinds of interactions and encouraging employees to be embraced by others demonstrates that the group respects them *as persons*.

Being respectful, to any degree, to members of the group is not just about taking on a group identity, it is also about developing an organizational culture that holistically supports persons within the group. Through the encouragement of group values and collective respect, the group's incentive structures act as the foundation for members to identify with the group, buy in to the group goals, and incorporate the reasoning capacities they employ as part of their personal practical identities. In other words, how a group chooses to incentivize buy-in says just as much about how it reasons as the aggregate decision-making process; theoretically, the systems of incentive were also the result of the group deliberative process. The virtuous group agent would demonstrate at the most foundational levels of interaction that the group is collectively promoting the values of its members; members within their organization roles are encouraged to reflect on these group values and challenge them by appealing to the group. In short, the group and its members are recognizing and engaging with each other as moral agents.

These kinds of HRM practices also count as evidence about what kinds of reasoning capacities the group uses as the foundation for its actions. If a group agent cannot demonstrate moral respect to those who make its agency possible, how sincerely could it demonstrate this ability otherwise? Spontaneous acts of corporate philanthropy are often explained as examples of an economic agent's good will. However, in such instances, we come back to the difference between beneficence in accordance with

strategic rationality and beneficence as an extension of character or speaking to one's motivation. When Bank of America sponsors neighborhood building projects, we may think of this as a social good; but we also recognize that it is not without benefit to the corporation. Thus, we typically do not infer from these acts that the economic agent takes itself to be acting as a moral agent, particularly when we possess evidence that the organization engages in exploitive practices. The systems of support and respectful interference may give us reason to think that economic agents are *candidates* for moral agency. The real test, however, is whether the economic agent is willing to demonstrate respect for members indirectly. Indirect moral respect for group members becomes most immediately apparent when respect necessitates actions on the part of the economic agent that do not directly align with the organization's interests.<sup>112</sup> Evidence of indirect moral respect for members may also be a useful way to differentiate between virtuous group agents and economic group agents more generally. Turning again to HRM practices that stress inclusion, this test is where many fail to live up to the standard of virtuous group agency; that is, group agency that promotes collective, not only the group agent's, well-being.<sup>113</sup>

Even as the aim of inclusion stresses attention and appreciation of difference, the measure of inclusion demonstrates that the primary motivation for inclusive programs is group self-interest. That is to say that the programs are justified as a means to translate the *direct* respect for personal differences into economic value. If a group member's value is not immediately measurable by the organization (i.e., it does not add to the

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<sup>112</sup> To be clear, simply because an incentive program or organizational policy is not in immediate alignment with the organization's interests does not mean it would *harm* the organization.

<sup>113</sup> Again, I am not claiming that any organization in reality meets the standards of a virtuous group agent. Rather, the point is that there is the possibility that this kind of group agent might exist.

bottom line) then the value of inclusion is discounted. This tension between organizational and personal identities arises because economic agents do not *really* promote an appreciation of pluralism or collective well-being, but rather an appreciation for difference when it can be translated into a justified value-added quality that mirrors *their* standard of meritorious desert. This standard of merit, and the overall ability to translate one's value, is grounded by an understanding of productive, efficient functioning as a measure of one's worth. The merits of productivity within organizations are reflective of a person's ability to exercise her individual capacities and better both herself and the organization through the development and use of specialized knowledge, skills, and abilities that will further the group's ends.

For example, many economic organizations have employee education enhancement programs. Such programs constitute a social good in that they further benefit employees by helping them pursue the educational ends they value. However, organizations often set limits on such benefits that restrict the allowable disbursement to courses or degree programs that closely align with the interests of the organization. A bank, for instance, might install a program that will reimburse employees for courses that they take (and pass) in business, finance, or management. They might not, however, reimburse employees for courses in the humanities, social sciences, or other professional tracks (e.g., engineering, law, medicine). Thus, even as the bank *directly* acknowledges that education is a social good it wants to promote in order to benefit its employees, the policy is implemented in a way that *indirectly* reinforces the standard of professionalism and a way of life that promotes the *organization's interests*, not the interests of the collection of members. If I work for an organization like this, such policies do not

directly work against my interests; the organization abides by the ideal of respectful influence discussed by List and Pettit. It is clear that this kind of respectful influence is not supportive of my way of life. It demonstrates *to me* that if I want the organization to accommodate *my* interests, I have to constrain *my interests and goals*.

When economic organizations act in this way, two effects obtain. First, the likelihood increases that the disenfranchised individuals will not buy in to the organization's goals; this could threaten group agency. Second, such action can undermine claims of moral reasoning at the level of the group. If, as List and Pettit claim, the way to encourage moral reasoning at the level of the group depends upon group members using the same reasoning capacities they employ in their general lives outside of the organization, then the organization should be aware of how the member disenfranchisement that results from certain kinds of incentive structures will threaten this group reasoning capacity by virtue of the fact that it may conflict with the group member's personal practical identities. When the group disenfranchises the group members, and it justifies its actions via strategic rationality (i.e., claiming that it is a good business policy), it supplies inductive evidence to those group members and others outside the organization that the group agent is not a moral reasoner. If economic agents and other organizations want to develop inclusive practices that encourage respect and foster buy-in that promotes moral group agency, then the priorities of the organization reflected in systems of reward and organizational decision should reflect a moral respect for members. One way for organizations to do so is to promote the interests of the members by constraining *the incentives of the group* to fit with the aims of group members.

This means, however, that organizations must first evaluate *how their aims* constrain the interests of their members. Thus, if we recognize a problem with the ways in which economic agents fail to recognize and morally respect members, then HRM needs to *evaluate this problem*. Focusing and getting clear on our goal of pluralistic support would help us narrowly tailor our models, practices, and initiatives in measuring successful outcomes as compared to this ideal. Only after carefully setting up goals in light of particular gaps in member buy-in can we get a handle on what the problems might be, and only then can we start to reflect on how individual managers, employees, or organization policies are adding to or unable to solve the problem. However, this means that the tools we currently use as the models for respectful organizational arrangements could be re-envisioned to fit within the context of a framework promoting group agents who are also moral agents. In other words, the process of reshaping ideals that structure group training, education, and practices must begin with developing methods of incentivizing member buy-in that are morally respectful in both direct and indirect ways. Economic agents should, at least occasionally, constrain or modify *their interests* out of respect for their members.

#### **4.4 Group Agents and Group Rights: Revisiting *Citizens United***

One consequence of my arguments thus far is that group agents are always responsible for their actions. Furthermore, even when we do not have a way to determine the kind of reasoner a group is, we can look to its actions within the wider institutional framework and attribute responsibility to the group for actions not reducible to individual group members. This is to say that if group responsibility is to be mitigated by the relative degree of power and choice the group had within the broader system of

constraint, then those groups with more power and influence would be more culpable for certain actions than others. This means that their scope of accountability should be indexed to their capacities and scope of influence. Additionally, I have argued that economic group agents with the capacity to reason morally are candidates for moral agency. That is to say that our systems of constraint can consider these group agents to be the appropriate targets of moral responsibility. However, even as group agents may be able to engage in moral reasoning and be morally responsible, the difficulty still exists of discerning when economic group agents are functioning as moral agents.

I have argued that we should expect virtuous economic moral agents to promote a certain kind of organizational life, one that prioritizes its organizational policies, incentives for buy-in, and systems of reward in a manner that reflects moral respect for group members. However, I have been careful to point out that there is no reason to think that even though virtuous economic group agents are *possible*, there is little reason to think that one exists in reality. Moreover, if the history of collective actions has taught us anything, it is that groups, particularly those that are able to function as agents, are extremely powerful and should always be subject to strict transparency regulations and oversight by other social institutions.

One may wonder: if such an entity existed and exhibited moral agency, does this entail that the *group agent*, by virtue of its moral status, is entitled to rights? We can cast this concern in a slightly different light: in a close possible world, if there were a metric for moral group agency that could be used to determine when groups had the necessary agential capacities for moral agency, would they be a candidate for bearing rights, and if



so what kind of rights would they accrue? We might also ask what this means for group political speech. I will respond to these questions in reverse order.

To be clear, I am not opposed to groups, regardless of their status as moral agents, having political speech rights. In the case of *Citizens*, one arm of my general critique was that the Court did not present a clear picture of corporate function. In fact, the representation of firm function that grounded their decision—a model of corporate democracy—is clearly in tension with the representation of firm function presented in corporate law. I could imagine that if the Court ruled that economic associations had a right to political speech *as a group*, something akin to the expert speech, then I would not necessarily have a problem with granting group agents speech rights. However, transparency would need to be upheld, even in instances of political expenditures to 501(c)(4) organizations. Consequently, I would not think that the status of moral agent, or any kind of agent, would change my position on what kind of groups or individuals should be granted political speech. Rather, the justification for granting groups expert status and giving them speech rights has to do with determining the most efficient manner by which to encourage free exchange in the marketplace of ideas.

The more general question about the status of moral group agents as rights bearers is the more interesting one. I have presented a taxonomy of organization structures that allows for the possibility that groups can function as agents, as well as an account of what kind of moral agent a group agent may be. However, I have also recognized clear limitations on the range of moral agency we might expect from group agents. Group agents can come to see themselves as instruments of change in the world and reason about the ends they take up without focusing solely on the most efficient means toward

those ends. Yet, the scale and scope of change and influence these groups can undertake far surpasses that of individual human beings. Moreover, the change that group agents may want to make will not always align with our interests. More to the point, it is specifically in light of my arguments that economic group agents are limited in the ways they can respond to other moral agents—individual human beings in particular—combined with my prior point about the power these kinds of collectives are able to wield that gives us good reason to constrain their rights. Taking into account these limitations and the arguments that I have made about the causal power such collectives have to transform people, we see that if moral economic group agents were given rights, even if such organizations existed in reality they would not be equal to the rights enjoyed by individual natural persons.<sup>114</sup>

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<sup>114</sup> To answer this question fully would require an analysis of the scale of moral agency and the grounding of rights as indexed to different moral capacities.

### **Conclusion: Moral Economic Group Agents?**

The preceding project has attempted to draw together two otherwise disparate areas of inquiry regarding representations of collective action, economic associations, and group agency. By bringing into conversation group agency theory and mainstream representations of firm function in business theory (i.e., corporate law, neoclassical economics, and HRM), I hope to have convinced you of at least the following:

- The explanations of collective action in these two seemingly unrelated fields have similar ways of inadequately accounting for the phenomena of group agency in economic associations. Moreover, the two fields have more in common than either might have assumed, and both have something to offer the other.

- By focusing on how the representations of business firms in the mainstream economic and business theory literature dynamically inform and perpetuate a standard of firm behavior that promotes strategic rationality, both fields can come to understand how each needs to improve to account for group agency within economic associations. Overcoming disciplinary boundaries can open up the possibility of creating strategies to subvert this seemingly inevitable mode of decision making.

- By focusing on how group agency arises within situated contexts, and within particular kinds of organization structures, we can begin to engage in practical conversation about how to understand group agency as it arises from certain kinds of decision-making processes. Furthermore, we can describe the scale of potential capacities for economic group agents, from the minimal agent capable of strategic rationality to the virtuous group agent that exhibits moral reasoning within group decisions.

In order to move from the second point to the last point, I have provided an account of how the mainstream perceptions of firm agency shape our expectations of firm behavior.

As I argued in Chapter 1, the representations of firm function directly inform how the Supreme Court made sense of individuals' right to political speech in association with other people. Once we step back from these abstract representations and analyze how

information flows through the economic association, we can begin to see how group agency arises and what the limits of an economic group's reasoning capacities will be by virtue of how the firm internalizes our expectations. While these processes are causally constitutive of group agency, it is better not to think of the internal decision-making processes as the primary variable of group agency, but rather as always working in tandem with external structural variables and systems of constraint in the creation and sustenance of group agency. Moreover, any account of the possibilities and limits of economic group agents must, I argue, take into account the socio-historical frameworks that are an essential part of how agents as such are identified by others. How we come to understand groups as agents, then, will inform not only how we think of their capacities and possibilities for action, but also how what will be necessary to enhance member buy-in to produce different kinds of group agents.

Overall, I think my project furthers the aim of List and Pettit to lay the foundations for a revised picture of the loci of agency in our complex social world. By incorporating different structural constraints upon economic group agents, and how those constraints play out in HRM theory and organizational practices, my account of representing the possibilities and limitations of firm function comes closer to understanding one kind of corporate agent. Certainly, broader questions can be asked about the difficulties of altering dynamic systems and the limitations of a group agent's claim to rights. Taking seriously the possibility of group agents, understanding the dynamic mechanisms that produce group agency, and understanding *our* possibilities as parts of these agents, I suggest, is the key to building strategies to navigate some of the most

complex problems in defining and delimiting the actions of the individual and the collective.

### **Epilogue: Corporate Social Responsibility**

*[T]he increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, that is, the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations. –U.N. World Summit Outcomes, 2005*

### **Introduction**

Group agents, one kind of organized collective, are unique in that they have the potential to develop the capacity of practical reasoning. This capacity demonstrates that group agents can be stable and respond to reason in a manner that we would not expect from other kinds of collectives. Their organizational structure enables them to function rationally and act toward ends they choose to promote. With the capacity to act as intentional agents comes greater responsibility for the consequences of their actions. However, group agents, like individual persons, do not develop in a vacuum. Their reasoning capacities are influenced and constrained by external environmental variables and values.

Presently, economic agents act in a system that rewards and judges according to the standards of strategic rationality. Promoting the development of economic agents that are also moral agents necessitates changing the scale of organizational life to valorize moral reasoning as the standard against which group agency is judged. Developing economic agents that can engage in moral reasoning would entail firms change their buy-in structure to produce and sustain moral group agency. As organizations come to see themselves as instruments of change—as agents in more than a strategic sense—they will

want recognition of this capacity. As such, economic group agents will need to demonstrate this capacity by prioritizing an organizational life that is indicative of organizational justice. As economic agents situate themselves as one part of a model of organizational justice, the next step would be an account of how these group agents can responsibly use the transformative power within the broader nexus of social institutions.

Corporate social responsibility (CSR) as a field of study seeks to find a place for calculating the effects of business decisions on a variety of stakeholders (e.g., employees, local communities, vendors, governments, politicians) and taking these effects into consideration throughout the decision-making process. By taking into account how business decisions and actions effect change at different points throughout society, businesses are also coming to understand how they can effect change in other social institutions. As North points out, altering the institutional framework is one way in which social institutions minimize uncertainties (2005, pp. 17-19). Although some business strategies explicitly aim at altering institutional frameworks, most do not track what that means for the affected persons and social institutions, except inasmuch as such changes will affect *business*. What the CSR discussion has left out is how businesses, as social institutions, have the freedom to change the systems of constraint. Recognizing the corporation's interdependence with other social institutions, corporate social responsibility entails political actions. As such, practices in the name of corporate social responsibility are political practices.

In this brief epilogue, I will discuss one consequence of the arguments I have made throughout this project and how I think the direction of CSR should continue to push the boundaries of businesses' conceptions of themselves. The first two waves of

CSR sought, through different means, to endorse a positive account of how business actions affect the broader environment, how businesses can account for such impacts, and the responsibilities that such recognition implies. Until now, the CSR literature has focused its arguments and tools of persuasion on making the “business case” for sustainability. I would like to argue that sustainability is not only a corporate strategy, but also a political ideal. As organizations grow in size and adaptive capacities, they develop abilities to effect change in practices inside and outside the organization. Just as we are unlikely to hit a target we cannot see, paying attention to the values of fairness, equality, and justice as only *business strategies* will limit our success at tracking changes in the world toward the broader aim of sustainability practices.

### **Waves of Corporate Social Responsibility**

The study of corporate social responsibility is now in its second wave. The initial wave of CSR theories began in the early 1970s. During this time, large corporate conglomerates were just beginning to flex their political muscles, and at the same time the United States was undergoing cascades of political change. In the wake of the Vietnam War, the OPEC oil crisis, and the separation of the Federal Reserve from the Executive branch, there was an increased call to pay attention to our interrelation with natural and social environments. One of the first proponents of this reevaluation of the role of the corporation in our lives and the responsibilities the corporation has toward constituents outside of its stockholders, and of the traditionalist models built from market values, was Neil Jacoby.

In *Corporate Power and Social Responsibility*, Jacoby begins his analysis of the corporation by counting it as one of the contemporary social institutions to be included in



the ranks of governments, unions, and the education system (1973, pp. 3-4). When taking up the question of how we ought to measure the success of corporations, Jacoby contends that social institutions ought to seek to serve the consensus of the democratic majority. He states, “the performance of corporate business [should] be judged by the degree to which it has fostered progress toward the consensual goals of the American people. The proper measure of success as a social institution is its actual contribution to the Good Society, as most Americans envision it, compared with its potential contribution” (Jacoby, pp. 15-16). What is novel about Jacoby’s claim is that it evaluates the corporation not only against the standards set by society in general, but also against evaluating corporate business in its relations with other social institutions. In doing so, Jacoby calls for a reform of the prior standards of measure, which evaluated corporate success in isolation not only from other institutions, but also from other sets of values, such as the values of the external society. Jacoby goes further than merely criticizing the traditionalist’s models; he suggests a new model to be used for evaluating and measuring the success of the corporation.

Jacoby proposes to replace the managerial model of measurement with what he calls the social environmental model (SEM). One of the primary forces behind Jacoby’s development of the SEM is that the managerial model does not take into account the full societal environment and context in which corporate behavior is performed. He finds that one of the major limitations of the managerial model is that “a company’s social involvement is limited only by the humanitarian propensities of its management” (Jacoby, p. 194). In constructing his version of SEM, Jacoby does not seek to radically overthrow the managerial model but rather to “reconcile the principle of self-interest with

corporate concern for social responsibility” (p. 196). The result of this hybrid principle, then, still involves the cost/benefit analysis to justify the implementation or support of socially responsible business practices. At the time of its inception, it was a quite radical reconceptualization of the corporation. In calling for the measure of success of corporate businesses to include the way in which the corporation is situated in regard to its external environment, political contexts, and external societal values—which in turn shape the decisions of the corporation—the SEM was the catalyst that began the CSR movement. In this way, SEM was the precursor to the stakeholder theory movement.

The move to stakeholder theory, popularized in the last decade, represents the second wave of the CSR literature. Stakeholder theories, as discussed in Chapter 2, advocate for the creation of a more complex cost/benefit analysis with which to consider the impact of corporate decisions on people, the planet, and profit. This “triple-bottom line” approach to decisions is quite similar to Jacoby’s SEM account, but considers the justification for sustainable business solutions to be self-evident. For example, in Marc Epstein’s *Making Sustainability Work*, he states, “the issue of whether companies should consider their social responsibility or the impact of their activities on their stakeholders is no longer up for discussion . . . these issues have become a central part of the creation of shareholder value and the management of both global and local enterprises” (Epstein, 2008, p. 19).

Epstein’s argument and presentation of strategies for creating sustainable enterprises is focused on reducing uncertainty and hedging the firm from different kinds of risk (e.g., social, political, economic). Epstein states, “Corporations have become sensitive to social issues and stakeholder concerns . . . the result is that managers must

make significant changes to more effectively manage their social, economic, and environmental impacts” (p. 23). However, these impacts that corporations make are not limited to shareholder value and business efficiency. If we are to robustly recognize the effects that corporations have outside of business enterprises, then CSR theory and practice should also seek to develop the means by which we can recognize, measure, and direct practices of sustainability as a political ideal.

### **CSR as a Political Ideal: The Third Wave?**

As business managers and organization members place more emphasis on measuring the effects of corporate practices on stakeholders external to the corporation, it will become increasingly difficult to refuse acknowledgment of the corporation as a social institution. Although Jacoby advocated conceiving of the corporation as a social institution, I do not think his methodology recognized that sustainability functions as both a business ideal as well as a political ideal. Charting the ways in which corporations engage with other social institutions demands more than Jacoby was aiming for. As such, a turn to political philosophy may help smooth the transition from corporate social responsibility to broader sustainability practices.

I suggest an expansion of Jacoby’s definition of social institution to come into direct conversation with political theory, by revising how we conceive of the function of social institutions in the pursuit of just social arrangements (i.e., changing our ideals), and then situating the ideal in the kinds of institutions we have (i.e., instantiating policies and institutional actions that bring us closer to the ideal). In the first instance, I would like to stress that social institutions are part of the processes of socialization that structure how we make sense of our rights and duties and how we set up our life goals. In other words,

it is not enough to recognize that business firms have a heavy hand in determining how well or poorly the lives of those inside and outside of the organization go. Rather, we should also acknowledge *how* such social institutions have operated toward this end so that we might open up the possibilities of different institutional arrangements that more closely mirror the ideals of reciprocal power relations between moral agents.

To fill out the account of how to develop just sustainable practices, we have to begin by acknowledging that the conditions of constraint that govern our business practices are historically contingent. Business strategies have traditionally been seen as occupying a space between the public and private spheres. By identifying the points of power asymmetries in corporate structures, and undoing their histories, we will also open possibilities for the kinds of social arrangements that enable ethical relations between persons. That is to say, by showing how the history of corporate power has consistently been apt to description in political terms, we can start to uncover the normative enterprise of this institution. Furthermore, we can begin to bring into question the practices that function as power in the broader social context.

By acknowledging the power of corporations as one part of the broader nexus of power relations, sustainability practices can be re-envisioned as guiding principles for business practices and policies to direct other social institutions toward positive social goals, such as human well-being, flourishing, and a pluralistic democratic society. The first step in the reinvisioning of sustainability practices as political ideals is to specify sustainable practices. From there, we can more clearly see how sustainability practices are political in nature and how such practices might best be employed toward the goals of social justice. Finally, in drawing the connections between corporate sustainability

practices and social justice, we would have to connect these political ideals to suggested practices focused on building sustainable communities. In what follows, I will outline how Joan Tronto's conversation on "Care and Political Theory" (1993, pp. 157-80) might serve as an example for building models of political practice from newly reconceived political ideals.

### *Corporate Sustainable Practices as Political Ideals*

CSR aims to minimize corporate risk by reducing the conflict between business interests and the interests of other stakeholders. Although the goals of corporate sustainability initiatives vary with industry and firm size, the basic principles focus on minimizing harm to people (both within and external to the firm), benefiting local and global environments, and acting in the best interest of long-term profit (e.g., forming action plans with forecasts of 25-50-100 year projections). Several basic assumptions underlie these practices and aims. First, corporate sustainability practices rely on assumptions about the interconnections between business firms, different populations of people, other social institutions, and the natural environment. Second, sustainability practices challenge the traditional assumption that profitability is the measure of maximizing output. Rather, CSR advocates for the consideration of the needs and interests of others on par with concerns about profitability. Finally, CSR's focus on the effects of business decisions and their impact on others foregrounds a method to identify how businesses can act in a morally engaged manner. This is to say, firms are forced into a critical reevaluation of the position of detachment that is often the result of modeling courses of action toward the outcome of profitability as the primary objective.

Corporate sustainability models and the practices they promote are particularly well situated to illuminate the boundaries drawn between business practices and their social effects. Moreover, corporate sustainability practices are designed to promote social equality, fairness, and justice in a way that is particularized to a given history of power relations. By illuminating these boundaries, CSR is poised to engage these boundaries critically, showing how they obscure the interdependency of human beings, and how sustainability practices could stimulate pluralistic politics in democratic states by extending a platform to historically marginalized populations. The political ideals underlying these basic assumptions are quite similar to those that Tronto identifies as the political ideals of care. As such, looking to the ways in which Tronto connects the political ideals of care to political strategy might be a fruitful starting point for developing sustainability practices as political ideals.

### *Political Ideals and Practice*

In her book, *Moral Boundaries* (1993), Tronto outlines the moral boundaries that have constrained the ethics of care to the private sphere. This privatization of care is maintained through the reinforcement of political dynamics of care relations that describe the tendency of women and other minorities to perform care work in ways that benefit the social elite. In her chapter on “Care and Political Theory” Tronto explains how understanding *care* as a political ideal will result in changing the status of care (i.e., will result in a shift in values) and the status of those who do the work of caring in our culture (i.e., will result in a shift of moral boundaries). By using care as a political tool, we will be able to reveal unequal power relations and the inequalities that result from the ways in which social institutions perpetuate these power relations. From this care analysis, we

will be able to begin to bring care into the political discourse by giving a voice to historically disenfranchised groups. Tronto argues that through encouraging a pluralism of perspectives and voices in political debates and policy decisions, care can act as the basis for political change (pp. 175-79).

In a similar manner, I suggest that my work in this project, specifically in Chapters 3 and 4, would act as the foundation for claiming that we ought to push business firms to engage in sustainable practices in a way that stresses the importance of care as the basis of sustainability as a political ideal. By tracing the historical forces that have shaped the way businesses have been trained to *not* notice the political influences they have, and identifying *who* benefits from the political models businesses promote, we will be in a position to determine which models of business function treat corporate social responsibility in this traditionally privileged manner. Business practices that valorize models of corporate action as only the maximization of output, I would argue, promote irresponsible behavior. This irresponsibility could be elucidated by comparing it to the phenomena described by Tronto as “privileged irresponsibility” (pp. 120-22).

My hope in pushing this line of argument is twofold. First, I hope to further the practice in which firms perceive themselves as sources of positive social change (i.e., resulting in a shift in the values of sustainability practices) and develop models of advocating sustainable practices responsibly. Second, I hope to show that this positive social change is one more way by which corporations should directly acknowledge the moral worth of persons, and work toward more equitable institutional arrangements (i.e., resulting in a shift of the moral boundaries of CSR). Responsible sustainability would be modeled and measured against how well or poorly business firms promote justice and

care broadly understood. Sustainability so conceived would aim to demonstrate the central role of the corporation in our lives and how this social institution can be more adequately built into a model of collective, pluralistic flourishing.



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