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**Beyond Small-Is-Beautiful:
A Buddhist and Feminist Analysis
of Ethics and Business**

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Beyond Small-Is-Beautiful: A Buddhist and Feminist Analysis of Ethics and Business¹

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Abstract

Buddhist philosophy teaches a thoroughly relational ontology, holding that what really *is* are relations and processes enfolding out of a common substrate through time. Often, however, attempts to apply Buddhist thinking to economic issues seem to forget this. Corporations and markets are described in the language of substantive structures and impersonal mechanisms, rather than in relational and process terms. This essay argues that a thorough-going Buddhist analysis, supplemented by contemporary insights from feminist theory, yields a relational understanding of business firms and markets that can help move debates about ethics and business beyond issues of scale.

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Thereupon, the Venerable Nagasena said to King Milinda... "How then did you come on foot, or on a mount?" "I did not come, Sir, on foot, but on a chariot."

"If you have come on a chariot, then please explain to me what a chariot is. Is the pole the chariot?"

"No, Reverend Sir!"

"Is then the axle the chariot?"

"No, Reverend Sir!"

"Is it then the wheels, or the framework, of the flag-staff, or the yoke, or the reins, or the goad-stick?"

"No, Reverend Sir!"

... "Then, ask as I may, I can discover no chariot at all. This "chariot" is just a mere sound. But what is the real chariot? Your Majesty has told a lie, has spoken a falsehood! There is really no chariot!..."

But King Milinda said to Nagasena: "I have not, Nagasena, spoken a falsehood. For it is in dependence on the pole, the axle, the wheels, the framework, the flag-staff, etc, there takes place this denomination "chariot", this designation, this conceptual term, a current appellation and a mere name."

"Your Majesty has spoken well about the chariot..."

(From The Questions of King Milinda)

Introduction

Looking at the world we live in with any degree of wisdom and compassion, one can not help but notice the severe problems of poverty, oppression, and environmental deterioration that are occurring in our current economic systems, which are characterized by increasing globalization and dominance of large corporations. Not surprisingly, many have made a story of strong causality from these observations: for-profit business firms, especially large ones, are placed in the role of villain in discussions of ethics and economics. Commercial interests, it is argued, are directly opposed to human interests. Competitive market pressures--it is asserted as a fact of social science--force firms to maximize profits, at whatever cost to human and other life. Another kind of economics—perhaps a “Buddhist economics” á la E. F. Schumacher (1973), of

cooperative, egalitarian, and small scale enterprises—is thus prescribed as the only way of bringing compassion and justice to this sorry world. One finds such views expressed in numerous books and essays coming from left-leaning or otherwise “alternative” social science academicians and popular writers.²

While such logic is plausible—there are certainly enough true stories of corporate irresponsibility to keep grist in the mill—the purpose of this essay is to argue that this small-is-beautiful way of thinking is at its base misleading and unhelpful. The logical structure of this story dictates that the phenomena of experience be split dualistically into categories of “good” and “bad,” and that substantive entities we call “for-profit firms” be placed in the “bad” category. Likewise “big” is contrasted to “small,” and “big” is placed in the “bad” category. My argument is that the small-is-beautiful approach, inasmuch as it puts all its weight on issues related to structure and scale, misses more fundamental issues. The problem is not that it is too radically “alternative,” but that it is not alternative *enough* since it has implicitly bought into a worldview that perceives some parts of reality as mechanical and fundamentally amoral. Such a way of thinking, I will argue, contrasts sharply with some very basic tenets of Buddhist philosophy.

The purpose of the ancient Buddhist text quoted above is to demonstrate the interdependent, relational, non-substantive nature of things we commonly consider to be objects. A chariot is not the solid, mechanical entity we perceive with our senses, nor is it identical with its axle or its wheels. We must release our too-easy conception of the chariot if we are to understand the interdependent nature of reality. Can the idea of a substantive “firm” be similarly released? I will argue that firms can be better understood relationally, and that the space for wise and compassionate social action on economic problems is considerably widened by such an understanding. Feminist analysis forms part of the argument, because many of the obstacles to achieving a truly relational understanding of anything are very vividly illustrated by--and perhaps very strongly historically, psychologically, and spiritually rooted in—problems in gender relations.

Relational vs. Substantivist Ontologies

Deep ecology and Buddhism share a thoroughly relational ontology (that is, a theory of nature of being or reality). In both deep ecology and Buddhist philosophy, what really *is* are relations and processes, unfolding out of a common substrate through time. When we believe we perceive a “something”--such as a chair, a chariot, or a distinct human self--what we actually are perceiving is our own organizing concept or abstraction. As the chariot example illustrates, things exist in dependence on the relations that constitute them.

Also common to both philosophies is an abiding sense that the diversity and elaboration of relations and processes has *value*. The intrinsic worth of this relationality,

² I use the phrase “small-is-beautiful” to refer to contemporary debates on scale that center around the appropriate scale of economic organizations. E. F. Schumacher’s book *Small is Beautiful* focused, in fact, largely on the appropriate scale of *technologies*.

and the responsiveness of humans to this worth through gratitude, compassion, and care, form the basis for a notion of ethics as something which permeates the very ground of being.

Also, Buddhist thinking warns us about swinging into identification either wholly with “self” or identification wholly with “non-self,” or to put it another way, to an extreme thinking about “form” without “emptiness” or to the opposite extreme of “emptiness” without “form”—or to the idea that there either *is* a solid chariot or there is *no* chariot. According to Buddhist teachings, attachment to either side of such dualistic categories underlies a great deal of unenlightened thought and action. Buddhist ontology proposes a middle way that avoids both sides of such dualisms.

On the other hand, of course, most modern Western thought is based on a substantivist ontology. The idea of a profoundly valuable (and ethical) substrate is rejected, in favor of a “tough-minded” just-taking-things-as-they-are, where what they “are” is taken to be solid things-in-themselves. Relations are seen as secondary—as simply the way that pre-existing “stuff” is arranged in patterns with, or bounces against, other “stuff.” Since the rise of modern science, the physical world has been conceived of as a sort of ethically neutral clockwork, driven by the “laws” of physics. Some modern thinkers try to take a thoroughly reductionistic approach, seeing all issues of ethics, aesthetics and emotions as simply the epiphenomena of indifferent processes of evolution. Most of us, however—unable to live in such a completely valueless world—explicitly or implicitly resort to dualistic thinking in which, while basic material and social structures of the world are taken to be heartless and mechanical, the existence of a distinct and important realm of ethics and value is asserted.

Mechanical Theories of the Firm

It is from the dominant substantive ontology that we get the notion of “the firm” as non-relational and amoral. Business firms are thought of as pre-existing entities, each complete unto itself. Firms are assumed to maximize profits. The profit-maximizing actions of firms are assumed to be in turn constrained and regulated by the pressures of a preexisting, impersonal and amoral competitive marketplace. Profit-maximization and the “logic of the market” are assumed to be inexorable characteristics of an underlying solid and mechanical reality. Values—if they are thought to be important at all—are presumed to operate in some other, less material, realm.

This belief is held by people across a wide ideological spectrum. At one end, it is strongly held by mainstream neoclassical economists. To them, the lack of explicit attention to ethics is considered to be a good thing. We are still much taken, as a profession, by the apparently clever and counterintuitive insight of Adam Smith that the impersonal workings of the market’s “invisible hand” will make individual self-interest

work for the social good.³ What people value, neoclassical theory asserts, will be communicated through market prices, and the pressures of competition will cause the economy to work efficiently to the benefit of all. This image of firms as a-social, a-moral, discrete and mechanical entities is highlighted in the famous pronouncement of conservative economist Milton Friedman (1982): “Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (133).

Yet *most* of this image and this story is *also* adopted by those who see for-profit firms in a consistently negative light, and propose their replacement by completely different modes of economic organization. The ideas that firms must maximize profits and are driven by market forces are accepted and even promulgated by this camp, as well. The difference comes at the *end* of the story, because the outcomes are judged to be bad rather than good. The values of people with no money to spend, such writers point out, or the value of the environment, are not necessarily reflected in market prices. The pressures of competition can lead to a hunt for ever lower-cost workforces, to the detriment of communities and workers. As in neoclassical economics, the economy is pictured as cold and mechanical. Only now the machine is called “the global capitalist system” and perceived as an immense, impersonal, and malevolent force.

Ken Jones in *The New Social Face of Buddhism*, for example, in a section on transnational corporations describes “global, free market capitalism” as a structure or system driven by “the logic of the market.” This, he argues, must be “dismantled” (2003, 161-2). Ecological writer Barbara Kingsolver describes commerce as “simply an engine with no objective but to feed itself” (2002, 13). Sometimes those who are deeply dissatisfied with the social and ecological results of current economic functioning assume that someone—usually “elites,” “corporate elites,” or “capitalists”—are “at the controls” of the machine. The solutions proposed generally involve changing who is “at the controls” and/or dismantling the big machine into little ones (with local controls).

This view is both poor social science and at odds with relational ontology. It is poor social science, because an Enlightenment era machine metaphor for the nature of reality—which has since been largely discredited in the physical sciences!—has been allowed to color and constrain our actual observations of our experience in the world. It is at odds with a Buddhist, relational ontology because it very radically forbids acceptance of the way things are—though the sense in which I mean this needs explaining. I do not mean at all that Buddhist thought prescribes simple resignation and indifference in the face of economic injustice. On the contrary, compassion and wisdom should lead to action. But the mechanical analysis suggests that the economic world in which we live--rather inexorably because it (presumably) runs on inescapable laws and rules--must be somehow radically transcended so that we can jump into some *other* economic world to find justice. It does *not* see the phenomenal economic world currently around us as

³ There is, of course, much controversy about what Smith actually said. He certainly split ethics from economics to a far lesser degree than his intellectual disciples. But the point made in the text concerns his most far-reaching, popularly known, assertion.

arising from dependent co-origination and permeated with value, but rather as something fixed and cold.⁴ It does *not* see the possibility of living with equanimity in the here and now, but rather seems to prescribe a path of cultivated aversion and striving so that we might, after some future revolution or massive structural change, jump from our current unacceptable world into another, radically different, world.

The small-is-beautiful prescriptions, to the extent that they include an outright rejection of for-profit business as possibly human- and world-serving institutions, suffer just as much as neoclassical economics does from a failure to think relationally about firms and economies. As a practical matter, by condemning modern business firms and corporations as hopelessly corrupt, the proponents of this view make themselves largely irrelevant to most people in the work-a-day world—who, unlike utopian thinkers, tend to live wherever they happen to be. They also, very importantly, let contemporary business firms “off the hook” ethically. Since for many companies the only ethical act possible according to the small-is-beautiful approach would be to disband, no possibility for here-and-now moral action seems to be open to them. On a more philosophical note, in setting up an image of a local, cooperative, small-scale, egalitarian and altruistic economy as a counterpoint to an image of a global, corporate, large-scale, hierarchical and greedy capitalism such thinkers are operating *within* dualistic thinking rather than overcoming it. In trying to move away from reified concepts and tired dualisms, I believe that some insights from feminist scholarship help to lever open—and keep open—new ways of thinking.

Non-Relationality

Thinking relationally requires breaking many deeply entrenched habits of thought. At the deepest level, relationality challenges how our own understanding of what we mean by “myself.”

Non-relationality—our usual model of perceiving reality—is related to the false belief that we ourselves are “stuff.” If we fundamentally *are* things--egos, selves--then we have to *do* something with this “stuff.” Two main possibilities are then open to us.

On one hand, we may feel a need to defend this ego or self--to aggrandize it, establish it, gratify it. While in modern life both men and women may entertain the image of a discrete and concrete self, the characteristics of activity, status, individuality, heroism, and self-creation that are valorized in this option have historically and psychologically been associated with masculinity. Feminist theologian Catherine Keller (1986) calls this the image of the “separative self.”

⁴ While Jones (2003) later lapses into mechanical metaphors, as quoted above, at one point earlier in his book he describes the dependent nature of economic systems and the illusion of their solidity well: “Yet the objectification of society is no more than objectification. For example, the ‘market economy’ is a set of subjectively agreed meanings, a game that has historically evolved. But “market forces” and the ‘laws of economics’ are experienced as forces of nature...so that their ultimate origins in mentality are forgotten” (53-54).

On the other hand, one may be just as attached to getting rid of one's (imagined substantive) "self." We find intolerable our distinctness, our reality, and the responsibility it might imply. How much more comforting it can be to put our "selves" in the hands of a heavenly Father, husband, teacher, guru--some authority who will carve the way for us through the density of reality and choices. We see salvation in giving of ourselves all the way, tuning-in to a life-force that is not our own, repressing our uniqueness, taking orders. While in modern life both men and women may engage in a project of becoming "selfless," this image valorizes what have historically and psychologically been feminine-associated characteristics of passivity, humility, selflessness, powerlessness and self-annihilation. Keller calls this image the "soluble self." For example, women in many Western cultures used to be completely "soluble" legal persons who disappeared, for all purposes related to the law, into their husbands upon marriage. In mythological terms, the image of the soluble self appears in stories of humans giving themselves over to the direction of higher authorities, thus finding salvation in submission and sacrifice.

The two images are complementary. From within "separative" side of the substantialist view, the only alternative to active self-building that can be imagined is a pit of nothingness, and the vertigo of an infinite fall. In mythology, the void is portrayed as a threatening, maternally-imagined (matter, mother) passive chaos (Keller, 1986; Epstein 1998, 86-87). Likewise, starting from the "soluble" pole, the only alternative to passive self-annihilation that can be imagined is a "selfish," inappropriate usurpation of power that is not one's own.

This separative/soluble dualism is what I mean by a non-relational understanding of the world. In neither case is there an I-Thou relationship (Buber, 1958). In each case there is only room for one "I"--either the heroic "self," or the higher authority to which the "no-self" attaches. To borrow some of theologian Martin Buber's phrases, the model of the separative self avoids dealing with relations to the world because in it "the world...[is]...embedded in the I, and ... there is really no world at all," while the soluble self model avoids it by imagining "the I...embedded in the world, and there is really no I at all" (1958, 71-72).

The non-relational view of the world perceives everything through this dualism: it simply cannot see the possibility of authentic relation, because it is locked into "stuff."

Many cultural and intellectual projects exemplify this dualism. Looking at religions cross-culturally, for example, commentators often posit the existence of a "Western" individualist orientation and an opposing "Eastern" submission to community. Buddhism itself is often perceived through this lens. Since it rejects the Western-style image of individualism, then--the commentator concludes--it must buy into a supposed Eastern-style dissolving of individualism. Deep ecology often gets the same treatment: the commentator concludes that since it doesn't perceive "man" as the ruler of nature it must advocate an image of "man" as dissolved in and ruled over by nature. There is

simply no room for real relationships, no means of authentic and mutual connection, between distinct “stuffs.”

In fact, the insight that gender-laden categories of thought play important roles, both historically and psychologically, in ontological projects sheds light on an important source of misunderstanding and resistance regarding Deep Ecology and Buddhist thought. These Gestalts do not merely pose an intellectual challenge at an impersonal and philosophical level to Western, modernist thinkers and feelers. They pose a threat to the very image of selfhood such an individual has learned to carry around. While an understanding of relationality in fact promises freedom, we should be aware that many people who filter our words through a substantivist understanding will often instead perceive it as representing a loss of control--as representing impotence and emasculation.

Yet the small-is-beautiful argument, to the extent that it portrays problems of economic domination as *primarily* a matter of scale, also uses such dualistic thought. If the solution really *were* a matter of scale--if simply forming small, face-to-face, non-profit oriented economic structures would itself remedy problems of injustice and exploitation, then we should see evidence of this in the actual history and practice of such institutions. But consider, for example, marriage and the nuclear family--such an institution par excellence. People often assume that rational self-interest rules in business, while altruism rules in homes. If small is beautiful, then The Family, intimate in size and conceived of as based on love and affection (as contrasted to profit and exchange), should have the best opportunity to be gorgeous. Yet, rosy images of altruism in the literature to the contrary, feminists have pointed out that abuses, the relations of domination and oppression, and the prevalence of physical and psychological violence too often characterize actual families. The reality does not fit the stereotype. A truly relational and Buddhist understanding of our social world requires that such habitual preconceptions be set aside.

From Non-Relationality to Relationality

The image of the “separative” self is that of a person as radically individual and active--that is, at the non-relational, autonomous extreme. The image of a “soluble” self is that of a person as radically self-less and passive--that is, at the overly connected, dependent extreme. Working only with these two possibilities, the only possible relations among persons are:⁵

1. *Separative-separative (arm’s length)*: When separative selves interact with other separative selves, such interactions must be purely external. The action of one party cannot have any effect on the other’s inviolable constitution.

⁵ See Nelson (2003) and Nelson and England (2002).

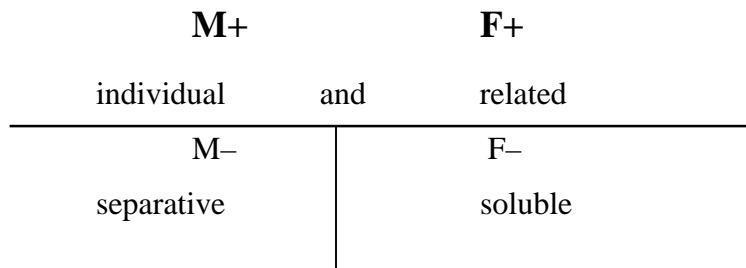
2. *Soluble-soluble (merger)*: When soluble selves interact with other soluble selves, the relation must be one of complete merger. The individuals must be completely melded into one unit.
3. *Separative-soluble (domination)*: When a separative self interacts with one or more soluble selves, the result is a strict hierarchy. The soluble selves take orders from and support (albeit invisibly) the separative self, who is perceived as autonomous, active, and in control.

Market relations, for example, are often thought of as separative-separative. The idea of the family as a harmonious unit relies on a soluble-soluble understanding. The traditional patriarchal idea of marriage relies on a separative-soluble image of husband-wife relations. The dominant conception of the human-nature relation is separative/soluble, in which humans perceive ourselves as agents over against the passive materiality of a valueless and unconscious physical world.⁶ Examples related to the theory of “the firm” will be given in the next section.

Yet a relational approach encourages us to move further--to find ways of analytically approaching relations in which more than one “I” (understood contingently) can be present at the same time. Feminist scholars (e.g. England, 2003; Mackenzie and Stoljar, 2000) have suggested alternative images. I have developed an image I call *individuals-in-relation* (Nelson, 1996). That is, while the separative image recognizes human individuality without recognizing relation, and the soluble image recognizes relation without recognizing individuality, the image of *individuals-in-relation* recognizes that people are *both* individually unique and socially constituted. In equivalent Buddhist terms, this aggregate of relational processes we think of as “myself” is neither “self” nor “no-self,” but rather as a unique Karmic result of co-dependent origination.

I have created a small tool to make it easier to envision a more sophisticated way of thinking, which I called a “gender/value compass” (Nelson 1996). In the following diagram, the characteristics of selves as separate from others are to the left; these are culturally coded (in Western, “Enlightenment” thought) as masculine. To the right are characteristics of selves as connected, culturally coded as feminine:

Figure 1: The “Gender/Value Compass”



⁶ Many of my examples deal with human relations, but have obvious extensions to relations of humans with non-human sentient beings and with the rest of the natural world in general.

It must be stressed that the use of “masculine” and “feminine” labels in this diagram is a matter of *gender*, that is, of factors that are *culturally and cognitively* associated with sex, not matters of biological sex. Too often, the point that any being is both individual *and* related, gets bowdlerized into “men are individual” and “women are related”--a tendency particularly pronounced in many later interpretations of Carol Gilligan's (1982) groundbreaking work in this area. What is highlighted here is how a full notion of human identity has been artificially split along gender-coded lines; the argument is in no way the “essentialist” one that would claim these as distinguishing characteristics of actual women vs. actual men. For example, one might also replace the gender labels with “Western” and “Eastern,” using the cross-cultural example mentioned earlier. In either case, the upper cells represent characteristics that can be positively valued, while the lower cells represent harmful corruptions of the properties above them.

With recognition of individuals-in-relation, a fourth relational possibility opens up:

4. *Mutuality*: When individuals-in-relation treat each other with respect and consideration, so that the relation is supportive of the positive formative process of each.

In relations of mutuality, people have mutual respect and mutual constitutive influence. They help each other grow and develop in healthy ways. The image can also be extended to the idea of humans as co-constituted with a creative and value-imbued natural world.

Within this category, two variants can be distinguished. The first is

- 4a. *Symmetric mutuality*: mutuality between similarly-situated persons. Such an image of relationship underlies, for example, the idea of cooperative, democratic, radically egalitarian economic enterprises in which worker-owners share work and responsibilities. When people are conceived of as *equals* it is not too difficult to imagine that these might be relations of mutual respect.

The second possibility, however, perhaps is more challenging to understand and accept. This is:

- 4b. *Asymmetric mutuality*: mutuality in relations characterized by unequal power, status, ability or resources

At first this may seem an impossibility: we are accustomed to thinking of *either* a horizontal relation of citizens in a democracy *or* a vertical relation of hierarchy and domination. The idea of *asymmetric* mutuality suggests that respect and consideration can exist even within relations of *inequality* of resources or power.

The relation of a parent and child, for example, is quite obviously one of inequality in power. Feminist scholars have taken the lead in attempting discussing both the *abuse* of power within families (in systems of parental or patriarchal domination) and the *use* of power in human relations of care-giving work. Such caregiving work had

historically been largely done by women within families, and by women in low-paid work caring for children, the sick, the elderly. It has, historically, been treated as trivial by scholars of economics and politics, who have treated it as part of “nature” rather than as a critical part of what it means to be human. The point that is often missed is that relations of inequality can be characterized not only by power *over*, but also by *power to*. Without the respectful use of the power *to* give birth, to nurture, to teach and to heal, human life could not carry on.

The insights of relationality, I argue, extend even to big, human-made and materially-oriented institutions such as corporations and economies. These often seem to be thought of—even by some relationalist scholars—as somehow too big, too hard, too “structural” to be inside the relationalist purview. Relationality may be everywhere, it seems, except in a corporate boardroom! Yet relationalist insights can be extended to how we talk about these things and to the role that each one of us plays as an individual nexus in a web of intricate material and social relations. Extended to the theory of the firm, a recognition of the possibility of *symmetric* mutuality opens our thinking to ways in which co-workers, for example, might treat each other with respect. The recognition of *asymmetric* mutuality further opens up the possibility of thinking about relations of respect among people with different levels of power and different roles. Not all workers in an enterprise have equal abilities in leadership, inventiveness, or finance. Can enterprises be structured in ways that take advantage of peoples different qualities of *power to*, while still retaining a fundamental attitude of mutuality?

What is a “Firm”?

Separative/soluble thinking has strongly influenced notions of the behavior of firms, at two levels. First, looking at firms from the point of view of the larger economy and environment, it is clear that a business is often thought to be:

- (1) *separative*, inasmuch as a firm is seen as profoundly individual--a unit clearly distinguishable from its natural and social environments.
- (2) *soluble*, inasmuch as the “dictates” of law or competitive market pressures are often portrayed as inexorably forcing it to move in certain directions, implicitly denying the firm any real agency or autonomy.

Furthermore, if we look at what is assumed to go on *inside* the firm, we see that the relations among actors such as shareholders, managers, and workers are often thought to be:

- (1) *separative-separative*, when people who make up the firm are themselves considered to be self-interested, autonomous agents.
- (2) *soluble-soluble*, when all are assumed to be united in pursuit of a common goal (usually the maximization of value to shareholders)

- (3) *separative-soluble*, when organizational issues are expressed simply as problems of designing the appropriate hierarchies of control.

What is missing, clearly, in all of these is any notion that firms might be active, connected, evolving organizations, or that they or the people within them have the capacity of acting in engaged, meaningful and responsible ways.

As mentioned above, conventional economists and many writers in the humanities seem to limit their thinking about firms to the separative/soluble options. Other researchers and scholars, however, have developed very different models of business behavior. Looking at actual conduct within and among firms--*without the presupposition that these must represent only coldly impersonal, merged, or hierarchical interactions*--many have found evidence of rather rich and complex economic phenomena. Each of the above-listed characterizations of firms can be challenged, using insights in literatures from philosophy, feminist theory, religion, economics, economic sociology, business ethics, and organization theory. We can take each characteristic, one by one.⁷

Is the Firm “Separative”—a Well-Defined, Autonomous Unit? As already noted, the firm, envisioned as separative, is defined as a distinct organizational entity, which has the sole purpose of maximizing profits for the shareholders. “It” is merely an organizational extension of the will of its owners and therefore acts to maximize returns. Responsibilities of corporations to parties other than their shareholders was, however, a hot topic in the 1930's. It surged again in the 1980's, framed in the terminology of “shareholders” and “stakeholders,” following a formulation of the problem by the influential business administration scholar R. Edward Freeman (1984). He questioned whether it is the purpose of a corporation to provide profits for its shareholders, or whether its actions should also take into account the interests of others who have a stake in the firm. Suppliers, customers, creditors, and local communities, for example, may have made accommodations on the assumption that the corporation will continue as a going concern. In fact, “[t]he modern trend in state law is to view the corporation as a ‘nexus of contracts’” (Adams and Matheson 2000, 1096). Taking into account the relations that make up a corporation leads to a model of the firm as a social organization, complex and dynamic. The firm isn't something that just “is,” and then acts. It is *made up of* the actions and interrelations of managers, workers, shareholders, customers, suppliers, local communities, activists, legislators and regulators. In short, a firm is individuals-in-relation. A firm is also profoundly inter-knit with the sustenance and change of the natural environment. Movements towards “green investing” recognize that the same is true of firms; they, too, have a physical constitution, and a reciprocal relationship with the natural world. Firms are not independent of the influence of natural disasters, ecological degradation, or improvement, and their actions in turn affect the ecological balance.

⁷ For a fuller treatment, see Nelson (2003).

Is the Firm “Soluble”--Driven by Legal Mandates? Side by side with the model of the firm as a free, unencumbered rational actor, are theories which deny firms much in the way of independent action at all. Firms are often thought of as so tightly constrained by the legal obligations to their shareholders, for example, that they simply have no discretion to take into account ethical, stakeholder, or environmental considerations. Perhaps the most cited legal case concerning corporations' obligations is *Dodge vs. Ford*, decided in Michigan in 1919, in which the court decided that if Henry Ford wanted to pursue goals other than maximization of returns to shareholders, “he should do it with his own money, not the corporation's” (quoted in Dimma, 1997). While often cited as the legal underpinning of corporate capitalism, this case is, however, only one snapshot, and an outdated one, from a long-running story of legal controversy. In the U.S., corporations are granted charters by the 50 states, and the states have the authority to specify what can be required in return. In clear contradiction to the usual interpretation of the Ford case, legal scholars note that in contemporary law “each state implicitly recognizes that a broader group of interests may be considered” and “no state corporation code in existence specifies that the directors of a corporation owe a fiduciary duty *solely* to the shareholders” (Adams and Matheson 2000, 1088, emphasis added). Further, in 32 states, “constituency statutes” presently exist which explicitly transform the obligations of corporate directors by expanding the groups to which boards of directors are accountable” (Adams and Matheson 2000, 1085). Nor are ethical considerations always considered out of bounds: according to the American Law Institute (1994), “...corporate decisions are not infrequently made on the basis of ethical considerations even when doing so would not enhance corporate profit or shareholder gain. Such behavior is not only appropriate, but desirable.”

Is the Firm “Soluble”--Driven by Market Forces? A further argument may, however, be brought up. The Market, it is often claimed, exerts inexorable pressures that will keep firms in line with unyielding economic laws. Competitive pressures and increasing globalization of financial, input, and product markets will simply force any corporation that might pay attention to anything *other* than wealth maximization out of business. Economists Bengt Holstrom and Steven N. Kaplan (2001), for example, claim that market discipline will drive firms back into shareholder-interest-only governance. In light of such market pressures, David Korten, a critic of corporate capitalism, sees no hope for corporate social responsibility (1995, 212-13). Evidence suggests, however, that running with some “slack,” rather than at the competitive razor’s edge, may be normal for many organizations, and that acting on ethical and social concerns may even help increase long term profitability. For example, the idea that competition mechanically determines a “market wage” is undermined by research suggesting that wages for the same job in the same geographic area may vary by 20% or more, with the variation depending on, among other things, the firm’s financial health and concern with worker morale (Krueger 2001). Business scholars James Collins and Jerry Porras reported in their influential book, *Built to Last: Successful Habits of Visionary Companies*, that “[M]aximizing shareholder wealth' or 'profit maximization,'” was *not* “the dominant driving force or primary objective” of the “visionary” companies they studied (1994, 8). Yet these companies were all leaders in their fields, in existence for at least 50 years. As David Packard (of Hewlett-Packard) once said, “Profit...is not the proper end and aim of

management—it is what makes all of the proper ends and aims possible,” with the proper aim being to “make a contribution to society” (Quoted in Collins and Porras 1994, 56). It would be more realistic to replace the notion of an all-powerful Market, to which “soluble” firms can only submit, by an image of markets (as well as firms and individuals) as webs of relationships.

Are managers and workers “soluble-soluble”—driven only by the interests of the firm as a whole? In basic neoclassical theory, this is the case. When the firm is just thought of as a unit, it is simply presumed that all parts of it will work smoothing towards the goal of profit maximization. Managers and workers alike are assumed, once they have signed their contract, to cease to have independent interests of their own. While few economists would seriously defend this view anymore, in practice it still serves as the base for much teaching and research. In popular writing the easy assumption that corporations are evil tends to erase from the relevant moral universe the individual people who actually populate corporations. Yet non-“soluble” actions, from the individually greedy actions of top executives at Enron and WorldCom at one extreme, to the often personally costly but socially beneficial actions of whistle-blowers at the other, give ample evidence that not all actions within a business are undertaken simply in the interest of shareholders.⁸

Are Managers and Workers “Separative”--Autonomous Agents? Or “Separative-Soluble” --Controlled by Hierarchies ? At the other extreme to solubility, managers and workers are sometimes treated as though each were a separative agent, interested only in his or her own economic gain and tied to the firm only by arm’s-length agreements. How to get managers and workers to act in the interests of the shareholders is treated in some sub-specialties of economics as a technical problem of writing a clever-enough contract, so that actions that maximize profits will also be in the self-interest of the (presumably) opportunistic agents. Another variant of non-relational modeling sees firms as structures directed from the top, in separative-soluble relations of hierarchical control from shareholder to manager, and manager to worker.

These limitations of possible relationships to either arms-length contract or hierarchical control rule out of court the idea that values, group identity, mutuality, non-hierarchical structures or ethics--*not* merely derived as some variant of self-interest--could play a role within and among contemporary business organizations. Both symmetrical and asymmetrical mutuality are ruled out. Yet the evidence on employee behavior suggests otherwise. Real humans do not simply leave their needs for social relations, their values, their loyalties and their creativity at the workplace door. Economic sociologists Karin Knorr Cetina and Urs Bruegger (2002), for example, have examined foreign exchange trading. Even here, in what would seem to be a classic case of an impersonal auction market, the traders created “virtual societies” in which trust, reputation, and social repartee were integral to carrying on economic transactions. As Collins and Porras (1994) reported,

⁸ A “whistle-blower” is an employee who brings wrong-doing to light by exposing an organizational activity to media or government attention.

People still have a fundamental human need to belong to something they can feel proud of. They have a fundamental need for guiding values and sense of purpose...a fundamental need for connection with other people... [E]mployees will demand operating autonomy while also demanding that the organization they're connected to *stand* for something.

(228, emphasis in original)

While many social scientists and intellectuals seem to be behind the times, many managers and researchers in organizational behavior share the insight that people work better when they are supported, empowered, and allowed to draw on their own creativity, than when they are consistently treated as potential shirkers who have to be brought under control.

Conclusion

Understanding business firms as relational entities—as vital and co-constituted with their social and natural environments, rather than as mechanical cogs in a globalized market machine—puts issues of ethics and economics in a new light. Instead of working from a dualistic social theory that contrasts a vilified image of harsh, mechanical, large corporations with an idealized image of altruistically-run small community enterprises, a thoroughly relational understanding stays closer to experience: our habitual metaphors and dualisms are pulled aside, allowing us to take a fresh look at economic reality.

Nothing in this essay should be taken to imply that one can relax one's ethical vigilance concerning global corporations--simply assuming that they are, as a group, generally benign or harmless. This is too often not the case. But what I hope to inspire is a certain skepticism about us/them thinking that consigns the contemporary business world—a world in which we are all deeply intertwined, as consumers and possibly as employees and investors--to a category of irredeemably “bad.” Organizations cannot be pre-judged as to ethical merit simply by their size or by the purported purpose (for-profit or non-profit) written into their formal Articles of Incorporation. Organizations must be evaluated by *what they do*. For example, small purportedly “loving” families are too often the sites of domestic violence. Small non-profit hospitals too often exploit their own workers for the sake of keeping costs in line. On the other hand, large, for-profit corporations have at times taken actions that demonstrate that they can be good workplaces and responsible members of social and environmental communities—when given a chance and especially when encouraged in these directions by consumer, shareholder, and political activism.

“But they will be *driven to* do nasty things by the profit motive!” a skeptic might reply. Is such a statement actually based on clear observation, or based rather on belief and dusty theories of social science rooted in substantivist and mechanical ontologies? Even if it should be the case that businesses do, indeed, get more and more destructive in the future, would this be proof of such a statement? Or would such a result be just a self-fulfilling prophecy? If we believe corporations *must* act irresponsibly, and if business

leaders themselves believe that they have no scope for ethical action, such a result could be the natural result, not of “the way the world works,” but of our own *beliefs*.

While not in the least denying the severity of the contemporary social and environmental problems, or the roots of many of the problems in attachment and ignorance, this essay challenges the idea that Buddhist thinking necessarily prescribes replacement of for-profit businesses with systems of small-scale and cooperative enterprises as the cure for economic suffering. It challenges this because it challenges the common image of business firms and markets as mechanical, mindless structures. No more than chariots—the example in the classic Buddhist text that began this essay—are “the firm” and “the market” substantive entities. Like all else, they exist in and through their interrelationships.

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