Toward a unified conception of business ethics: Integrative Social Contracts Theory

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"Would you tell me, please, which way I ought to go from here?" Alice asked the Cheshire Cat. "That depends a good deal on where you want to get to," said the Cat. "I don't much care where," said Alice. "Then it doesn't matter which way you go," said the Cat. (Carroll, 1983:72)

Throughout its meteoric rise over the last two decades, the field of business ethics has been troubled by a lack of direction and has become, by contrast, the dominant research methods used to explore ethics. On the one hand, business ethics research can be informed by empirical ideas, that is, by concepts that describe and explain factual states of affairs, such as managerial motivation, organizational accountability structures, and relationships between ethical behavior and financial performance. In other words, it can be informed by the "is" of economic affairs. On the other hand, business ethics research can be informed by normative concepts, that is, by ideas which, although not necessarily grounded in existing business practices and structures, are what ethicists call prescriptive. They guide us to what we should do. In this vein, most philosophers remind us that no amount of empirical accuracy, including an infinite array of facts, can ever by itself add up to an "ought" (Sorley, 1904:10). To suppose that one can deduce an "ought" from an "is," or, what amounts to the same thing, that one can deduce a normative ethical conclusion from empirical research, is to commit a logical mistake some dub the "naturalistic fallacy" (Moore, 1903:10-14).

These two approaches to business ethics, which we shall call the empirical and the normative, have produced two powerful streams of business research. During the last 15 years, researchers with philosophical training have introduced purely normative, nonempirical methods to the study of business ethics, just as they introduced them earlier to the fields of legal and medical ethics. In this way, the philosophical tradition of ethical theory has contributed rigor to ongoing discussions of business ethics (Barry, 1982; Bowie, 1988; Donaldson, 1983; Freeman & Gilbert, 1986; French, 1976; Goutheil, 1986; Ladd, 1970; Mey, 1987; Nickel, 1974; Sen, 1985; Ehren, 1991).

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We use the term normative in the philosophic sense: it is a prescriptive rather than descriptive term. It provides guidance about actions or policies instead of describing them. Thus, unlike the sense of the word sometimes used in management literature, our use of the term excludes prescriptive but merely instrumental use. The instrumental sense of "normative" is hypothetical; it says, in effect, "If you want to achieve X, then do Y." For example, "If you want lower per-unit cost, expand market share." In contrast, the philosophic sense is not hypothetical but "counterfactual." It says, in effect, "This because it is the right thing to do." We also contrast out use of the term normative from the way it is often used in the social sciences to denote typical or average behavior. For a useful discussion of the philosophic versus social science use of the term normative, see Wasserman, 1988.

This research has been extended by the development of frameworks suggesting relationships among key behavioral variables and interconnectedness between the different streams of research (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Trevino, 1986). These frameworks focus on predicting or understanding ethical behavior, and they have generally incorporated either broad social science ethical theories, such as utilitarianism and rights and justice (Ferrell & Gresham, 1985), or they have relied upon concepts from moral psychology (Jones, 1991; Trevino, 1986).

Meanwhile, using the alternative perspective, business school researchers with training in empirical methods have applied their techniques (often adapted from existing approaches in marketing, finance, and elsewhere) to study important issues in corporate and organizational ethics (Ahkn & Rionian, 1989; Cochrans & Wood, 1984; Frischke & Becker, 1984; Hunt, Wood, & Chonko, 1983; Trevino & Youngblood, 1986; see particularly Randall & Gibson, 1990, and sources cited therein for an extensive overview of this literature). This research has been extended by the development of frameworks suggesting relationships among key behavioral variables and interconnectedness between the different streams of research (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Trevino, 1986). These frameworks focus on predicting or understanding ethical behavior, and they have generally incorporated either broad social science ethical theories, such as utilitarianism and rights and justice (Ferrell & Gresham, 1985), or they have relied upon concepts from moral psychology (Jones, 1991; Trevino, 1986).
Yet despite these preliminary efforts at reconciling the two disparate viewpoints, the two worlds of empirical and normative research in business ethics remain at a respectful distance from each other. Trevino and Weaver (1993) articulate clearly the contrasts between the two approaches, noting that the sharpest differences lie between the methods used by empirical researchers and philosophical ethicists in their discovery and analysis of information.

In this article, we seek to advance the interconnection between empirical and normative research in business ethics by presenting a normative theory, called integrative social contracts theory (SCT), which incorporates empirical findings as part of a contractual process of making normative judgments. Derived from roots in classical and social contract theory, this integrative theory recognizes ethical obligations based upon two levels of consent: first, to a theoretical "macrocontract" contracting to all rational contractors and second, to real "microsocial" contracts by members of numerous localized communities. Through this process, we seek to put the "is" and the "ought" in symbiotic harmony, requiring the cooperation of both empirical and normative research in rendering accurate empirical findings concerning the ethical attitudes and behaviors of members of relevant communities. The emphasis on the role of communities in generating moral norms characterizes this approach as communitarian. The primary focus of this article is on the exposition of the overall integrated theory and on identifying implications for further empirical and normative research.

INTEGRATIVE SOCIAL CONTRACTS THEORY

We label the theory we are proposing integrative social contracts theory (SCT) because it integrates two distinct kinds of contracts. The first is a normative and hypothetical contract among economic participants, a social contract similar to the classical contractarian theories in philosophy and political economy. This general contract, in turn, defines the normative ground rules for creating the second kind of contract. The second is an existing (extant) implicit contract that can occur among participants.

We believe that this way of conceiving business ethics not only helps one in understanding the normative justification for business decisions, but it also helps one in reaching such decisions. Existing normative theories and concepts, such as stakeholder approaches (Carroll, 1991; Freeman, 1984; Hoskisson & Hitt, 1992; Martz, Christenson, & Carroll, 1990; Preston & Sinha, 1990: 362-67) or philosophical "Deontology" (Kant, 1785/1952) and "Utilitarianism" (Mill, 1965), provide general guidance but fail to reflect the context-specific complexity of business situations. Consider, for example, these kinds of ethical problems often confronted by multinational managers. In the first, the manager worries about giving and accepting gifts and entertainments; in the second, she or he wonders about the ethics of certain negotiation practices; and in the third, she or he wonders about the propriety of compensating employees not with money, but with personal benefits such as housing and guarantees of employment for their children. Now in all these of these contexts, the advice given by each traditional theory is suitable, but frustratingly vague. Stakeholder approaches are merely able to advise this manager to consider the interests of stockholders and other "stakeholders," (i.e., employees, community residents, customers, etc.). Kantian Deontology is only able to advise the manager to search for the general principle that she or he could follow in that particular case and which, furthermore, satisfies the test that she or he could will all other managers to follow the same principle under relevantly similar circumstances. Finally, Utilitarianism merely advises the manager to choose the action from among alternative courses of action that will maximize the future welfare of the most people. Even though each recommendation offers a broad-brushed guide to action, none speaks directly to the relevant ethical expectations or shared understandings of the participants.

None of the general ethical theories reflects directly the cultural patterns of business and friendship in gift giving, the industry-specific or business-specific expectations surrounding negotiation practices, and/or the differences between cultures with a traditional acceptance of corporate paternalism versus ones with highly individualistic, nonpaternalistic beliefs. Each one handles the obvious situations well enough. If gift giving includes blatant fraud, if negotiations involve physical coercion, and if nonmonetary employee compensation serves to make economic prisoners of employees, then stakeholder approaches, Kantian Deontology, and Utilitarianism offer univocal advice. But most business situations involving community values are neither so stark nor so well defined. In short, each of these recommendations is helpful—but only up to a point. For the purpose of illustrating different aspects of SCT, we will return from time to time to these three issues (i.e., gift giving and receiving, questionable negotiation practices, and nonmonetary employee compensation).

The key to understanding SCT, and, in turn, dealing with one aspect of the "is/ought" problem, lies in understanding two concepts that we intend to explore in some detail, namely, bounded moral rationality and social contracts.
Bounded Moral Rationality

Imagine that you are a master of moral theory. You have read and absorbed the moral theories from Aristotle’s Eudaemonism and Spinoza’s Rationalism to Kant’s Categorical Imperative and Sidgwick’s Methods of Ethics. Imagine further that you have either determined which one of these traditional theories is best or have constructed a wholly new “best” theory using parts of existing theories. Now imagine that someone asks you to define unethical employee compensation. Will you be able to provide a satisfactory answer based upon your extensive knowledge and your new moral theory? Will you be able to know the correct course of action in all contexts where employee compensation is at issue? For example, is it appropriate to pay employees the average wage rate in developing countries when that rate is far lower than wages paid for similar work in developed countries?

So long as the only thing you knew was “the best moral theory,” you would be hard pressed to produce a satisfactory definition of unethical employee compensation or to know the correct course of action in all circumstances. The reason is that moral rationality in economic contexts is strongly bounded.

In using the term moral rationality we presume what is granted by all major contemporary and traditional moral theorists, namely, that moral concepts are proper objects of rational analysis and that they possess at least minimal objectivity. Extreme moral or cultural relativism is ruled out (Donaldson, 1989: 15-29; Stace, 1931; Wellman, 1963). We also assert that moral rationality is bounded, by which we mean that otherwise rational moral agents, when applying moral theory to actual situations, confront confining limits. First, they confront their own finite capacity to comprehend and absorb all details relevant to ethical contexts. Consider a contemporary ethical issue debated in many developed countries, namely, the morality of takeovers, acquisitions, and mergers (Steffens, Frederick, & Petry, 1985). To assess the morality of corporate acquisitions, whether in general or in a specific instance, one must reference a mass of complex facts. This is true even if one believes oneself to be reasonably clear about the normative or ethical concepts at stake. It is also true whether one is a committed Rawlsian, believing that systemic inequalities are unjust unless they work to the advantages of everyone, including the least well off, or if one is a Hayekian or Friedmanite, believing that liberty is the linchpin of market morality. One needs to have a grasp of the consequences of acquisitions for the stockholders of the acquired firm, for the stockholders of the firm doing the acquiring, for any bondholders and other creditors, and for the managers and employees, among many others. One must have some view as to the long-term social consequences of accumulated debt, or of the tendencies toward increased or decreased efficiency of corporations under new management. This aspect of the boundedness of moral rationality is similar in Herbert Simon’s concept of the same name. Humans beings have finite intellectual resources and will inevitably “satisfice” in both economic and moral decision making.

But rational moral agents confront another kind of limit, different from that popularized by Simon. Their moral rationality is bounded by the limited ability of moral theory to account for commonsense moral convictions and preferences. Contemporary discussions reveal instances of slippage between what common sense asserts is morally correct and what moral theory dictates. For example, common sense will hold that family members should be preferred over strangers, and if a total stranger were drowning alongside one’s spouse, and only one could be saved, common sense dictates saving one’s spouse. But significant familial partiality is difficult to reconcile with traditional moral theory (Donaldson, 1990). (See also, Symposium on Impartiality and Ethical Theory, in Ethics, special edition, July 1991.) Certainly no one has argued that moral theory should be tested entirely by reference to settled moral convictions; indeed, it is because people often want to do the reverse (i.e., to test common convictions by theory) that theories are developed. Yet most moral theorists find it hard to imagine that a correct theory would fly in the face of some of the most universally held, firmly believed moral convictions.

One disturbing result of what we are calling bounded moral rationality is moral uncertainty. For instance, as the correctness of each moral decision must be referenced to an infinite array of facts, or subject to theories that clash with key moral convictions, people are doomed to confront moral risk. Life is more confusing than one might hope.

Methods exist to deal with such confusion, as we will explain, but for the time being it is crucial to notice that moral life in economic affairs is not only bounded, but strongly bounded. It is this final aspect of the boundedness of moral rationality in economic life that makes business ethics even less determinate from the standpoint of general moral theory than ethics in, say, family or political life. We begin by noting that economic systems are not products of nature. In contrast, some human associations may be considered in large part products of nature. The family and its rules exist independent of society and human activity. Economic systems are products of artifice, not nature, and their structures can and do vary immensely. Such systems that include the laws, practices, and values systems that form economic practices are, in a word, artifacts. People create these. People make them what they are, and people might have chosen to make them differently.

An analogy will help. Because they are artifacts, economic systems share important characteristics with games. Just as people can change the rules of games or invent entirely new games, so too can they change the rules of economic practice, or they can invent entirely new practices. The evolution of the corporation and of market economics from 1800 to the present are striking examples of the plasticity of the corporate form and of...
capitalism (Chandler, 1977), as is the collapse of the managed economies in the former Soviet Union and Eastern Europe. The definitions of economic practices are stipulated rather than given by nature.

Yet this amazing plasticity creates problems for the moral analysis of economic systems. For, in the same way that it would be impossible to create a general theory of the ethics of games without knowing in advance which game was under consideration, so too is it impossible to create a general theory of the ethics of economics without knowing at least the general shape of the economic system under consideration. The ethics of basketball, or of soccer or squash, must be contoured somewhat to the rules of these particular games. Similarly, the ethics of client entertainment, negotiation, and employee compensation must be contoured somewhat to the rules of particular economic systems in which they occur.

In an analogous way, knowing all the moral theory in the world does not equip a person to specify in advance the moral norms of business ethics, much less the norms for the specific contexts of gift giving, negotiation, and employee compensation. In each, the ethical norms must be contoured to the rules of the specific economic practices and the notions of fairness of the participants. This is not to deny that some extremely general moral prescriptions hold for all economic practices and, for that matter, for all economic systems. For example, refusing from flagrant dishonesty, torture, and intentional killing are required in all human activities. Nor is it to deny that economic systems, unlike games of pick-up basketball, have dramatic implications for people who are not directly a part of the rule-formation process.

It is, however, to deny that a person can know in advance what the correct rules of business ethics are for a specific system without knowing more about the system and its participants. It is to deny, for example, the possibility of knowing in advance whether ethics requires that a high company official from an airline visit the surviving relatives of an airplane crash and present them with money (as Japanese airline officials do), in contrast to, say, merely offering sympathy and minor assistance. To know what ethics requires here, a person must know both what local custom encourages and also something about the system of compensation in the economic system. In the United States, a well-developed adversarial system exists for delivering compensation to victims. It is cumbersome and expensive, but relatively reliable. In Japan and elsewhere, the legal system for delivering compensation is less developed and less reliable. Thus, it would be reasonable to place greater moral burdens on the shoulders of Japanese corporate officials, than on those of U.S. corporate officials, for compensating and helping the families of victims.

In sum, rationality in economic ethics is bounded in three ways: by a finite human capacity to assess facts, by a limited capacity of ethical theory to capture moral truth, and by the plastic or artificial nature of economic systems and practices.
designed to ensure procedural fairness in setting the terms of the contract. So, for example, in order to ensure impartiality in the selection of principles of justice, John Rawls asks the reader to imagine rational persons choosing such principles behind a “veil of ignorance” that blinds the choosers to knowledge of their own characteristics, such as wealth, age, ability, and gender. In turn, choosers are blinded to how to ensure their own particular advantage. The principles that people would choose behind such a veil of ignorance are in this way presumed to be fair (i.e., morally objective and unbiased). In other instances of social-contract reasoning, fairness is secured simply by including among the contractors all persons whose interests are affected and by requiring consensus in the adoption of the terms of the contract—without the additional device of a veil of ignorance. It is this second strategy that we adopt.

The central social contract question we frame fits within the tradition of social contract thinking. It is focused, however, on principles of economic morality:

What general principles, if any, would contractors who are aware of the strongly bounded nature of moral rationality in economic affairs choose to govern economic morality?

Let us call the set of principles regarding economic morality to which contractors would agree the macrosocial contract.

Moral Free Space

Rational contractors would desire the freedom to specify more precisely the norms of economic interaction as a response to the opaque world of strongly bounded moral rationality. Their first reason for doing so is economic efficiency. As has been mentioned, a key feature of boundedness in economic contexts is uncertainty. Without norms to govern, any, the giving of business-related gifts, the use of intellectual property, and the meaning of verbal commitments, the ensuing uncertainty becomes costly. Consider business negotiations. Negotiation by definition occurs prior to reaching an agreement or contract; it is, in short, a process of attempting to come to, or exploring the possibility of, reaching agreement. It occurs among strangers as well as friends and can reflect parties’ lack of self-interest (Shell, 1991a), yet in order to be efficient, even this suspect and uncertain process must occur against a backdrop of moral norms (Shell, 1991b). To the extent that negotiating information is systematically unreliable, the process becomes clumsy and time consuming. Of course, efficiency does not require that all relevant information be disclosed, or even disclosed accurately. Shrewd negotiators refuse to show all their cards, and they may sometimes bluff about their intentions. Hence, misinformation in the form of incomplete disclosure can figure in efficient negotiations, but when it does, it is crucial for purposes of efficiency that certain rules about possible misinformation be understood by all parties. In one context, bluffing about intent may be expected, so that the expression “I couldn’t take less than . . .” is not taken at face value. In another context, less than complete disclosure about the subject of exchange may be expected. Again, it does not follow that there is only one set of efficient ethical rules for all systems of negotiation. If it is clearly understood within the international rice market that bulk rice sellers do not expect to provide an exhaustive list of the rice’s defects to purchasing agents, then purchasing agents know either to prod the sellers or to check the rice themselves. In contrast, if international rubber buyers expect sellers to acquire information about defects and then voluntarily to disclose those defects, they may not check the rubber themselves (Sollnick, 1992: 1–29). In the instance of the rubber market, failure of full disclosure would be unethical, but in the rice market, it would not be. It is important that there be an ethical framework as a background condition for efficient negotiation. There must be some set of ethical rules. In many situations, the particular rules chosen will not matter, because the existence of any reasonable set of rules will reduce uncertainty and enhance efficiency.4

The second reason for contractors of the macrosocial contract to retain the freedom to specify more precisely norms of economic interaction may be cultural, ideological, or religious. Contractors will wish to maintain their freedom as groups or communities to make specific interpretations of what bounded moral rationality requires in economic transactions. In some instances this freedom of interpretation will be connected to their desire to maintain their cultural distinctiveness, in other instances, it is connected to their desire to reflect their ideological beliefs, and in still other instances, it is connected to their desire to maintain their religious values. Muslim managers may wish to participate in systems of economic ethics compatible with the teachings of Mohammed (Esposito, 1989: 116–201). European and American managers may wish to participate in systems of economic ethics giving due respect to individual liberty, and Japanese managers may prefer systems showing respect for the values of the collective (Saw, 1987). Individual corporations also may have value preferences. IBM traditionally prided itself on a buttoned-down, well-controlled culture, even as Hewlett Packard thrived on creative chaos (Kotter & Heaslett, 1992: 56–57).

Both of these considerations of the desire (a) to enhance efficiency by reducing uncertainty and (b) to maintain freedom of cultural, ideological, or religious interpretation imply that contractors will choose terms of the macrosocial contract that allow the generation of specific community-level moral norms regulating economic activity. In effect, the contractors in the macrocontract will adopt a principle allowing the existence of

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4 The norm of behavior evolving out of the marketplace are likely to track preferred economic factors. Thus, societies treating lowest cost outcomes may place the ethical burden of disclosure on the lowest cost disclosure. Societies providing producer warranties to consumer welfare may prefer to have consumers always incur the obligations of disclosure.
goals and who are capable of establishing norms of ethical behavior for a group of people who interact in the context of shared tasks, values, or goals and who are capable of establishing norms of ethical behavior for themselves.

Community-Specific Microcontracts

Microcontracts represent agreements or shared understandings about the moral norms relevant to specific economic interactions. Moreover, we may call the freedom represented by the ability to endorse microsocial contracts moral free space. Thus, by allowing communities or other groups to define moral norms for themselves, the macrocontractors are affirming the existence of moral free space. In turn, the first principle of the macrocontract is:

1. Local economic communities may specify ethical norms for their members through microsocial contracts.

By the word community, we mean a self-defined, self-circumscribed group of people who interact in the context of shared tasks, values, or goals and who are capable of establishing norms of ethical behavior for themselves.

Consent and Exit

Choice entails freedom, and freedom in a community entails the right to leave or exit the community. Choice also entails knowledge, for surely the person who chooses in ignorance cannot be said to choose meaningfully. "Ilusions," as the saying goes, "are not Liberties." Hence, because they are rational, microsocial contract participants will recognize that because people are entitled to be parties to microsocial contracts in specific communities, they must be entitled to exit from those communities, and further that their consent to the microsocial contract is binding only when it is informed. This, in turn, constitutes the second principle of the macrocontract, namely:

2. Norm-specifying microsocial contracts must be grounded in informed consent buttressed by a right of exit.

To illustrate: the right of a labor union or bar association to define ethical principles would, in light of Principle 2, be dependent upon the right of each individual member to quit the union or to resign from the bar association.

Consent need not be expressed. Often, engaging in a practice is sufficient to imply consent, as when a person who engages in an auction thereby commits herself or himself to abide by the rules of the auction. Consider, again, the issue of compensating employees with nonmonetary benefits. Suppose a manager living in a Third World country is employed by a paternalistic company that provides housing and other personal benefits in lieu of a portion of salary, but which allows employees little choice regarding the kind of housing and benefits offered. The manager, in turn, is required to act in accordance with this practice of paternalism whether he or she personally approves or disapproves. The manager has signed consent, according to the present theory, through failure to leave the company and seek alternative employment. The manager may, of course, speak out against the ethics of the practice, but so long as he or she fails to exercise the right of exit, he or she is bound ethically to live by the standards in place.

Coercion invalidates implied consent. An employee subject to indentured servitude or commercial slavery lacks freedom and, hence, cannot be inferred to have "consented" to existing norms. Even though coercive restrictions of the right of exit is common in political contexts (e.g., in Nazi Germany or in the pre-Perestroika Soviet Union), it is relatively uncommon in commerce. Instances such as the infamous porcelain factories of Germany in the 19th century (Bok, 1982: 138-159), the company towns of coal miners in West Virginia (immortalized in Tennessee Ernie Ford’s song, “Sixteen Tons” in the refrain, “I own my soul to the company store”), or the modern brick factories of Pakistan, are increasingly rare. Hard-to-classify cases include those in which physical coercion is not at issue, but in which moral agents nonetheless appear to have no choice. Case poor employees living in areas of extremely high unemployment, with no alternate sources of work or food, to be said to have "consented" to the terms of their employment through their failure to exit (Nickel, 1987)? Could, for example, a subsistence-level employee in the Third World—where unemployment averages 40 percent—he said to have "consented" to a highly paternalistic compensation system simply through his or her refusal to exit? We note, without attempting to resolve, this difficult issue.

Authentic Norms

When Principle 2 has been fully satisfied, that is to say, when a microcontract for a given community has been grounded in informed consent and buttressed by the right of exit, then we shall call its norms authentic. Again, the term communities includes firms, departments within firms, informal subgroups within departments, national economic organizations, international economic organizations, professional associations, industries, and so on.

Determining when a business community in fact subscribes to a particular norm is a difficult task. Drawing on related work concerning conventions and norms (Lewis, 1969; Pettit, 1990), we suggest the following empirical rules of thumb for identifying authentic norms in particular communities:

A norm N constitutes an authentic ethical norm for recurrent situation S for members of community C if and only if:

1. Compliance with N in S is approved by most members of C.

We use an unsettled issue to emphasize our point. A nonauthentic example would be that of a socially prejudiced manager who personally objects to the norm of equal opportunity followed by the firm, but who, nevertheless, is ethically bound to follow the norm.
The existence of authentic ethical norms can be determined by empirical tests of ethical attitudes and behaviors in particular communities. It also sometimes can be confirmed by amassing a significant amount of indirect empirical evidence. The use of empirical research in identifying authentic norms is discussed in detail in the final section of this article entitled "Implications for Research."

Legitimacy and Hypernorms

Yet authenticity, although extremely important, lacks moral authority. Were macrocontractors to end their process after formulating these two principles, they would have established a contract endorsing moral free space but lacking any limits. The theory would be reduced to one capable of countenancing any norm affirmed by a group of economic actors. If the securities industry wished to define norms of acceptable communication so that gross puffery, lies, and broken promises were acceptable, no exogenous moral complaints would be relevant. If the association of professional architects wished to declare unethical any attempt by a rival architecture firm to woo a customer away from a competing firm (something actually attempted years ago), then no external observer could cry "foul." A view limited to these two principles would be a version of what philosophers call cultural relativism, or in other words, that all ethics is reduced to cultural tastes (Brandt, 1983: 40–43). In business, such relativism would endorse a confusing and corrupt array of incommensurate moral systems and principles. As noted previously, our definition of moral rationality rules out such relativism. Belief in moral rationality presumes minimal objectivity and, in turn, rules out thoroughgoing moral incommensurability among communities. This, as we noted, is not a controversial definition, but it is in step with the conclusions of virtually every past and present moral theorist. The point is simply that moral free space cannot be unlimited. Macrocontractors will not wish to authorize a moral free-for-all at the microlevel.

The question, then, becomes what principle, if any, macrocontractors would commit to as limiting the "free space" of microcontractors' deliberations? We may presume that whatever limits the microcontractors wish to impose would need to be limits that were not microcommunity relative. That is to say, they would need to be limits that did not depend upon a particular community's endorsement but applied, rather, to all communities. Using the philosopher Charles Taylor's (1989) expression, we might think of solving such a venerable and fundamental epistemological question is necessary to the process of identifying hypernorms. We propose to use the existing convergence as a limiting the "free space" of microcontractors' deliberations. For us, convergence is not the question of whether Utilitarianism, Kantian Deontology, or Aristotelian Eudaimonism is the best theory, but rather provide room for and presume support from any or all acceptable theories of morality.

Hence, for example, contractors would not permit microsocial contracts, even when produced under conditions of unanimous consent, that condoned murder as a method of enforcing contracts. Nor would they tolerate subjecting employees to physical coercion. This constitutes the third principle to which macrocontractors would agree, namely:

3. In order to be obligatory, a microsocial contract norm must be compatible with hypernorms.

Formally speaking, how are people to isolate and identify hypernorms? We do not take a position concerning whether hypernorms have a purely rational basis, as Kant argued (Kant, 1788/1954), or a partly empirical and historical basis, as Hegel argued (Hegel, 1901/1941). We think solving such a venerable and fundamental epistemological question is necessary to the process of identifying hypernorms. We propose to use the existing convergence for as a limiting the "free space" of microcontractors' deliberations. For us, convergence is not the question of whether Utilitarianism, Kantian Deontology, or Aristotelian Eudaimonism is the best theory, but rather provide room for and presume support from any or all acceptable theories of morality.

Interestingly enough, a consensus appears to be growing among scholars that such a convergence exists. Anthropologists, political scientists, and philosophers continue to articulate principles of global relevance. Even though they speak with something less than a universal
voice, their concepts reflect a broad commonality of opinion. Clyde Kluckhorn, anthropologist, identified a uniformity of needs and psychic mechanisms among all humans (1955: 679). Political scientist Terry Nordin identified a core list of moral notions underlying international law, including: legal equality among states, the right to national self-defense, the duties to observe treaties and to respect human rights, the concepts of state sovereignty and non-intervention, and the duty to cooperate in the peaceful settlement of disputes (1963: 223). International theorist Ehrich Nadelmann identified specific activities that are globally proscribed, among which are "piracy, slavery, trafficking in slaves, counterfeiting of national currencies, hijacking of aircraft, trafficking in women and children for purposes of prostitution, and trafficking in controlled psychotropic substances" (1960: 479). Business theorist William Frederick identified a series of normative corporate guidelines that emerged from a careful analysis of six intergovernmental compacts (including, e.g., the "OECD Guidelines for Multinational Enterprises," the "Helsinki Final Act," and the "OIL Trigonite Declaration of Principles Concerning Multinational Enterprises and Social Policy"). In this synthesis of international corporate norms, Frederick develops a wide array of principles, including:

- MNCs should adopt adequate health and safety standards for employees and grant them the right to know about job-related health hazards.
- MNCs should respect the rights of all persons to life, liberty, security of person, and privacy.
- MNCs should control specific operations that contribute to pollution of air, water, and soils.
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Lee Preston and Duane Windsor (1991) have identified these and other emerging sets of global norms and subsumed them all under the label of "emerging sets of global norms". These self-renunciation, realization of beneficence, precedence of duty over personal rights, respect for orthodoxy (bishops who contributed to the development and happiness of humankind), and enlightenment/adversion. Other groups, such as the United Nations Commission on International Trade and the International Organization of Securities Commissions, have engaged in quests to define key principles of ethical behavior in business which transcend the biases of localized perspectives.6

The best accepted and most widely promulgated candidates for universal norms today are those that are rooted in the language of human rights. Many theorists treat rights as hypernorms. Henry Shue, in his book, Basic Rights, articulated a list of four basic rights, including the right to subsistence and the freedom of physical movement, security, and political participation. For Shue, a basic right is one so important that its deprivation, "as one standard threat to rights generally" (Shue, 1980: 34). Nadelmann (1980: 55–56) argued that on the basis of three accepted rights-generating criteria a list of 10 fundamental international rights can be constructed.7 In England, the international political theorist, R. J. Vincent, argued persuasively that a single cosmopolitan culture is emerging worldwide "which is spread across all indigenous cultures, and which carries to each of them what are, in some at least geographical sense, global human rights" (Vincent, 1986: 52). Perhaps the best known international rights document is the Universal Declaration of Human Rights (1948). Endorsed by virtually every nation in the world, this document specifies over 30 principles that secure rights for all nations. We agree with Walzer (1989: 9) that although a "moral equivalent of Esperanto is probably impossible," the vocabulary of rights "is not a bad way of talking about injuries and wrongs that no one should have to endure." The idiom may vary when the concepts are expressed in the terminology of duty-oriented philosophies (as much of Eastern philosophy is), but the basic ideas remain the same (Tomasi, 1991).

6 These rights are to freedom of physical movement, ownership of property, freedom from torture, a fair trial, mandatory compensation (i.e., freedom from charlatanism on the basis of such characteristics as race or sex), physical security, freedom of speech and expression, national education, political participation, and subsistence (Nadelmann, 1980: 55).

7 This is substantial support for the initial list of hypernorms. For example, the proposed text of the draft United Nations Code of Conduct of Transnational Corporations provides in paragraph 14 that "Transnational corporations shall respect human rights and fundamental freedoms in the countries in which they operate. In their social and industrial relations, transnational corporations shall not discriminate on the basis of race, color, sex, religion . . . " (United Nations, 1993).
To understand how even an authentic norm (i.e., one passing Principles 1 and 2) could fail to be obligatory because it failed Principle 3 (i.e., the hypernorm test) consider again gift giving in business. It is well known that ethical custom varies widely from culture to culture on the propriety of gifts (Lane & Simpson, 1984: 35-42). In some cultures, business gift giving is mandatory; in others it is routinely condemned. Integrative social contracts theory stops short of requiring that all cultures establish the same ethical norms regarding gift giving: Macrocontractors agree that cultures may define the limits on such practices for themselves. But, again, they may do so only up to a point, because at some point the practice will come in conflict with norms valid in all business contexts (i.e., hypernorm). To take an extreme case, imagine a business culture in a mature democratic society that condoned the systemic practice of making judgment-warping gifts to elected government officials. Imagine, in other words, a business culture systematically condoning the kind of bribe represented by Lockheed's $13 million payment to Japanese Prime Minister Tanaka in the 1970s. Such a bribe, representing a distortion of democratic process and the undermining of the trust of a publicly elected official, can be seen to violate the fundamental right to political participation (Donnelly, 1989: 88-89) and, hence, to fail the hypernorm test. A business community, whether industry centered, nation centered, or corporation centered, endorsing such a practice, would be endorsing an authentic but nonobligatory norm.

Priority Rules

Finally, world-level rational contractors, recognizing both their strongly bounded rationality and the frequency of conflicts occurring among norms in various economic communities, would want a means to arbitrate and resolve such conflicts. Sometimes conflicts will be easy to resolve because the norm that conflicts with one's own community norm will also conflict with a hypernorm. For example, if a German company were asked by Iraq to sell equipment for the production of biological weapons, the conflict between its obedience of biological weapons prohibition and Iraq's tolerance of them is easily resolved if one believes that biological weapons violate a hypernorm proscribing the indiscriminate killing of the innocent. At other times the resolution will be more difficult, especially in instances where conflict occurs between legitimate norms emanating from two separate communities. For example, in Jamshedpur, India, the Tata Steel Company has for years guaranteed employees that it will provide a job at the Tata Company to at least one of the employee's children. This practice is extremely popular among Tata workers, as it also is among members of the Jamshedpur business community. The practice does not obviously conflict with any hypernorm; nonetheless, it would be regarded as nepotistic in many Western countries. Would it be permissible, then, for a Western company with a subsidiary in Jamshedpur to replicate the job guarantee of the Tata company?

Clearly, the design of any priority rules for arbitrating such conflicts must reflect and be consistent with the terms of the macrocontract. The macrocontract emphasizes the freedom of individual communities to develop ethical norms. For this reason, attention should be given to norms that do not adversely have an impact on the freedom of other economic communities to create and support their own norms. In contrast, when norms have an impact solely within their community of origin (i.e., when they have no impact on outsiders) they should be treated permissively, allowing to stand, even in instances where they are inconsistent with the norms of other communities. If the rules of a public auction are different in New Zealand from Lithuania, the Lithuanian manager should follow New Zealand auction norms so long as doing so has consequences entirely confined to New Zealand.

Sometimes economic communities anticipate the possibility of conflict with the norms of other communities and in response develop formal preference rules for their members to follow in cross-cultural transactions. The Foreign Corrupt Practices Act (FCPA) in the United States is an example. Assuming that the FCPA constitutes an authentic norm for the United States (a proposition that some people would challenge), it thereby represents a local community-based standard for resolving conflicts between U.S. norms and another country's norms of bribery. But suppose that another country has a local norm of preference inconsistent with the principles of the FCPA. In this circumstance, there is a need for an overarching set of priority rules to determine which local preference rule should dominate in a cross-cultural transaction.

Thus, the fourth and final principle of the macrocontract is as follows:

4. In case of conflicts among norms satisfying Principles 1-3, priority must be established through the application of rules consistent with the spirit and letter of the macrocontract.

Although many alternatives could be followed in developing priority rules (Dunfee, 1991: 43-44), the following six principles seem consistent with the spirit and letter of the macrocontract. They are meant not as theoretically precise principles but as rules of thumb.

1. Prioritize solely within a single community, which do not have significant adverse effects on other businesses or communities, should be governed by the host community's norms.
2. Community norms indicating a preference for conflict-of-norms situations should be resolved should be applied, so long as they do not have significant adverse effects on other business or communities.
3. The more extensive or more global the community which is the source of the norm, the greater the priority which should be given to the norm.
4. Norms essential to the maintenance of the economic environment in which the transaction occurs should have priority over norms potentially damaging to that environment.
5. Where multiple conflicting norms are involved, patterns of consistency among the alternative norms provide a basis for prioritization.
6. Well-defined norms should ordinarily have priority over more general, less precise norms.

For purposes of illustration, let us return to the hypothetical case of a Western company's subsidiary in India considering adopting the practice of guaranteeing employment for the children of existing workers. In this case, some of the priority rules are inappropriate. Rules 2, 4, and 6, which speak to the issues of existing local community preference rules, the maintenance of the economic environment, and the degree of precision of definition in the norm, have no direct relevance to the issue. On the other hand, Rules 1, 3, and 5 have some, albeit limited, relevance. In particular, Rules 3 and 5 may appear to speak against following the Indian practice generally as they would allow for a job to be given to the son of a worker, whereas it is the daughter who is the child of a worker. However, Rule 1 may appear to support the practice more directly as it would allow for the practice of guaranteeing employment for the children of existing workers.

In this particular ethical decision with one or two of the principles or with the priority rules, an interesting question may arise: "By what criterion? or "Says who?" in judging whether a norm is well defined. A normative test for determining whether a certain norm is well defined is the following: "If we applied this norm to a particular case, what would it lead to?" If the application of the norm leads to a clearly defined and specific result, then the norm is well defined. However, if the application of the norm leads to an ambiguous and uncertain result, then the norm is not well defined.

In the case of the practice of guaranteeing employment for the children of existing workers, if the norm were to be applied to a particular case, it would lead to a clearly defined and specific result: the child of a worker would be guaranteed a job. However, if the norm were not to be applied to a particular case, it would lead to an ambiguous and uncertain result: it is not clear whether the child of a worker would be guaranteed a job.

In summary, the general principles that contractors, aware of the strongly bounded nature of moral relativism in economic affairs, would choose and which therefore define the macrosocial contract of economic morality, are:

1. Local economic communities may specify ethical norms for their members through microsocial contracts.
2. Non-specificing microsocial contracts must be grounded in informed consent buttressed by a right of exit.
3. In order to be obligatory, a microsocial contract norm must be compatible with hypernorms.

IMPLICATIONS FOR RESEARCH

ISCT is replete with empirical and theoretical research implications. Initially, there is the core question of whether the assumptions of the macrosocial contract are consistent with current social belief and practice. Even though ISCT is offered as purely a normative theory, there does not require descriptive validation, a variety of interesting research questions exists concerning its acceptance in the real world.

ISCT is dependent upon specific normative findings to help it render specific normative judgments about particular cases. For example, the attitudinal and behavioral elements of the authenticity test must be empirically established. Empirical research may be necessary to apply the priority rules in cases involving clashing authentic norms. In addition, there are a host of background issues raised by ISCT, including the precise nature and source of hypernorms, how these norms may be identified with precision, whether these norms may evolve or instead are unchanging, whether the priority rules should be themselves prioritized, and so on.

In this section, we briefly highlight the research implications of ISCT and how it provides a lens through which existing empirical research can be evaluated for its normative implications. ISCT represents an opportunity for empirical researchers to provide business ethics decision-making with much needed substance and content. The construction foundation of ISCT provides a theoretical structure for business ethics studies built upon the bricks and stones put in place by empiricist theories. In order to provide normative guidance in this context, empirical research must be consistent with the assumptions and definitions of ISCT.

A. Research Issues Concerning the Descriptive Validity of ISCT

ISCT is presented as a normative theory. It is responsive to the ultimate question: "By what criterion? or "Says who?" in judging whether a norm is well defined.
given action is right or wrong. ISCT is not intended to represent the sole source of ethical obligation for societies generally, or even for business managers in all contexts. Instead, ISCT is offered as a useful, pragmatic, community-based theoretical framework setting forth a process for making certain normative judgments in business ethics.

As a normative theory, ISCT is not set forth as necessarily descriptive of current reality. However, some researchers may wish to raise the issue of whether, and to what extent, people act in accordance with the procedural norms of ISCT. Doing so would involve ascertaining the extent to which individuals think that a macroethical contract exists along the general lines suggested by ISCT and the extent to which they recognize and act upon community-based contractual/promissory obligations in their normative judgments in business.

The extent of acceptance of ISCT could be tested in part by adapting from the eight-item multidimensional scale proposed by Reidenbach and Robin (1989) as a means for measuring the ethical decision-making process of individuals. Two of the items in the scale are explicitly commutual: violates/does not violate an unspoken promise, violates/does not violate an unwritten contract. To the extent that these factors help explain beliefs among members of a recognized community concerning whether practices are ethical, they support the claims of ISCT. Interestingly, in their test of the scale, Reidenbach and Robin retained the contractual factors while purging references to utilitarianism and egoism. They explained this by noting that “in debriefing analyses it was obvious that respondents had a difficult time in understanding and applying the concepts inherent in utilitarian thinking” (1990: 647). If individuals intuitively understand that they confront obligatory, yet implicit contractual obligations as a result of membership in communities, then there is some support for the acceptance of ISCT. This is particularly the case if they find these concepts more meaningful and useful than utilitarianism.

II. Research Issues Pertaining to the Empirical Dimensions of ISCT

The primary intersection between ISCT as a framework for making normative judgments and empirical research in business ethics concerns the identification and specification of ethical norms at the community level, designated as authentic norms. The claim that community ethical norms can be identified with some precision is consistent with similar claims in reference to business norms more generally (Thomas & Soldow, 1988). Empirical research will also be required to apply the priority rules in certain contexts. Priority-rule issues as whether or not par-

36 Some empirical testing of general ethical theories has already been initiated. For example, Greenberg and Beal (1982) review some of the case assumptions of utilitarianism against the existing empirical literature on organizational justice.

circumstance, probably quite limited, in which their views may be pro-
jected fairly or representative of business or the action as a whole, in a
context in which such broadly defined communities may be considered
relevant. Similarly, where norms vary across industries, a sample taken
of marketing managers generally may not provide adequate insights re-
garding the substance of professional norms, such as those pertaining to
whether or not an agent should disclose that his or her commission rate
varies among the supplies she or he can recommend. Marketing managers
working for travel agencies may be responding to quite different com-
unity norms concerning commission disclosures than those working for
financial consulting firms. Large samples of salespeople, which cross
many different business communities, may produce opaque outcomes
concerning projected behaviors or normative judgments due to the diver-
sity of context which the respondents bring to otherwise very carefully
crafted projective vignettes (Roberts & Anderson, In press).

The selection of the community(ies) most relevant to a particular nor-
mative judgment is critically important and will influence the types of
authentic norms that are recognized. For example, it may be asserted that
"bribery is endemic to nation X." However, it may turn out that accepting
bribes is authentic only to a small group of bribe-taking government of-
icials within nation X, whereas the larger business and social commu-
nities of nation X reject the practice. This would explain why bribery is
generally conducted in secrecy and would render inappropriate the claim
that bribery is endemic to nation X.11 The search for relevant communities
required in applying ISCT should often produce a more accurate under-
standing of the scope of actual practice and, as a consequence, result in
faster ethical judgments.

B2. Identifying ISCT-Relevant Ethical Attitudes

Authentic norms are evidenced in part by the uncoerced, genuine
attitudes of the community membership concerning the rightness/
wrongness of a particular standard of behavior. The focus of the attitudi-
nal research in ISCT is on individuals' perceptions concerning the exis-
tence of ethically appropriate and obligatory norms or rules in their
communities.

The authenticity test under ISCT concerns attitudes about norms of
appropriate behavior in the community. This requirement is distinct from
the projected behaviors of the community members, or their estimates of
existing behavior patterns in the community. Assumptions concerning
existent behavior are not sufficient because the existing behaviors may be
viewed as neutral or even as immoral by members of the community and
therefore could not serve as the basis for authentic ethical norms.

Core must be used in measuring ISCT-relevant attitudes. In stressing
the assumption of bounded moral rationality in business affairs, we em-
phasize that individuals may only be capable of knowing their genuine
moral preferences when confronted with the full environment of a deci-
sion. Generic values-based approaches, or broad-based contextual inquires (e.g., asking respondents whether they agree that "a corpora-
tion's primary responsibility is to stockholders" (Monopirrelli, Kothurwa,
Hartwick, Wall & Shim, 1989) would have limited value under ISCT. In
contrast, research based on detailed, context-rich scenarios or vignettes
requiring subjects to respond to precisely delineated dilemmas is more
consistent with the requirements of ISCT (see, e.g., Aksher & Roedem,
1989, and Nairn & Gifford, 1988). If they have properly defined communi-
ties and focused questions of belief, researchers may be able to avoid
the confounding results often obtained in prior empirical work.12

B3. Identifying ISCT-Relevant Ethical Behaviors

Once it is determined that most members of a given community agree
about the rightness/wrongness dimension of a particular norm, it is then
necessary to determine whether sufficient compliance exists within the
community to constitute the primitive norm as authentic. Although studies
of actual behaviors would be direct evidence, they are notoriously diffi-
cult, particularly in the domain of deviant behavior. It is not surprising.

therefore, that the dominant research paradigm to date "proceeds mainly
from the cognitive component to inferred behavior" (Frederick, 1992: 93).

The central question under ISCT is determining actual behaviors of
the community members. In many studies, researchers ask respondents
to project how they would act in a given context. These studies, which ask
respondents to estimate how others behave, are valid for ISCT purposes
only if they constitute accurate representations of community behaviors.
Projected behaviors may be problematic. This is an important dimension
of the ISCT foundational assumption of bounded moral rationality. Ethi-
cal behavior in business may invoke ardent emotional responses (Jones &
Verestgen, 1952), making it difficult for an individual to predict accurately
how he or she would respond. As dramatized by Crane's The Red Badge

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11 In this case of conflicting norms, assuming that none of the norms violate hyper-
norms, the ultimate normative judgment would depend on the operation of the priority rules.
Consider a case where a Dutch corporation is asked to pay a bribe to government officials
in Indonesia. Assume that "bribe taking is a.k.a. is an authentic norm among the Indonesian
government officials and that "bribe taking is wrong" is an authentic norm among the
Dutch Indonesian business community and the Dutch corporation. In such a circum-
sstance, under the priority rules, the norm of "bribe taking is wrong" would dominate, and
payment of the bribe would be found to be unethical under ISCT.

12 Hart, Woodward, and Chomsky have noted that one somewhat debatable aspect of the
continuing pattern of results has been that "researchers frequently have been encouraged
to measure the broad principles underlying ethical values rather than the domain-specific
ethical issues" (1980: 82).
of Courage, in ethics as in war, one may never know how one will react until one is on the spot.

The relationship between projected behaviors and actual behaviors is critical for ISCT usage. Any means that is used to infer behavior must be an accurate indicator of actual behavior. Empirically tested constructs such as Fishbein’s and Ajzen’s (1975) theory of reasoned action (see Randall, 1989) suggest that there is a close relationship between intention and action and that intention is influenced by attitudes toward the behavior and recognition of subjective norms (Dunlee & Robertson, 1984). Such theories may lead to the establishment of valid proxies of behavior relevant to the test of authenticity under ISCT.

In attempting to ascertain community behaviors through surveys based upon self-reporting, the long-standing, thorny problem of respondents giving socially desirable answers or acting to be “good” interview subjects must be considered (Forehand & Randall, 1992). When deceitful behaviors are at issue, individuals may be suspicious of claims of confidentiality or nontraceability and they may, for a variety of reasons, fail to accurately report their own behaviors. Methodologies such as the randomized response technique have been advocated (Dalton & Metzger, 1992) as a means of mitigating bias. Although some research has focused on the reasons given by managers in support of projected behaviors, the forms of reasoning used within communities for the adoption of norms do not directly influence the determination of authentic norms under ISCT. Communities are entitled to adopt their own processes for the generation of norms; they are not limited to particular “correct” forms of reasoning. The reasoning used may be important in one sense external to the normative judgment process of ISCT. If one seeks to bring about changes in norms within a community, then knowledge about the reasoning favored within a community is critical. ISCT recognizes that norms will constantly change at the community level and that members will exercise voice and exit in response to the evolution of norms.

34. Priority Rules, Hypernorms, and International Dimensions of ISCT

In cases where multiple community norms in opposition to each other survive the hypernorm test, the process of normative judgment will re-
pass many as yet unresolved issues. We expect that a great deal of work will be required to develop a prima facie list of hypernorms capable of serving as the basis for extended theoretical scrutiny. Implicit within this question is the issue of selection of the best methodologies for identifying hypernorms. Is it sufficient as a first step to look for convergence among the reports of scholars seeking convergence? Are global surveys of values, attitudes, and beliefs appropriate for providing clues as to the nature of specific hypernorms? If so, are they scientifically feasible? If convergence can serve as a clue to the nature of hypernorms, then how much convergence should be required?

Again, we explicitly leave open the question of the epistemological nature of hypernorms. Are they primarily rational, or instead empirical, or some hybrid of the two? Can they evolve over time, or are they set in some natural law sense?

Similar questions may be raised concerning other aspects of ISCT. Should the priority rules themselves be prioritized, or is it better to leave them to a more open-ended process of application? We argue that they all derive directly from the assumptions of the macrosocial contract. But are those arguments sufficient? Are there additional priority rules that should be added to the list?

How relativistic is ISCT? In our judgment, commentators tend to overemphasize the role of moral free space in characterizing ISCT. As argued elsewhere, the seemingly relativistic nature of this moral free space is limited in three distinct ways by the terms of the macrosocial contract: first, through a requirement of consent at the level of the microsocial contract; second, through the application of independently authoritative hypernorms; and, third, through the operation of a set of priority rules designed to determine which norms generated by communities become obligatory in cases of directly conflicting norms.

Finally, there are many questions concerning how these concepts might be translated for managers. Can, for example, the foundational assumptions and implications of ISCT be reduct to a meaningful set of rule-of-thumb principles capable of providing realistic guidance for managers? Ultimately, what are the most effective ways of translating these ideas for managers?

CONCLUSION

The tension between empirically based and normatively based methods currently frustrating business ethics research will persist. Nonetheless, in this article we hope we have shown that an ISCT is capable of providing a schema that allows both normative and empirical factors to harmonize. The theory we have defended does not presume to eradicate differences between the "is" and the "ought." It also does presume to pull normative rabbits from empirical hats and to derive prescription from description. Yet it establishes a means for displaying the ethical relevance of existing norms in industries, corporations, and other economic communities, even as it limits the acceptable range of such norms. It attempts to reach beyond the generality of Kantian Deontology and Utilitarianism to allow a more detailed normative assessment of particular ethical problems in economic life— in a world of transactions that we have shown to be peculiarly susceptible to bounded moral rationality. Finally, by revealing the normative relevance of existing cultural and economic norms, the theory identifies pockets of inadequacy in existing business ethics research. In this way, we can actually explain, the theory entails an agenda for empirical research. It is an agenda that authorizes the search for authentic ethical norms in industries, corporations, alliances, and regional economic systems. It is an agenda that advocates much closer scrutiny of existing ethical beliefs and practices in institutions as dissimilar as the EC, the Sony Corporation, the international rubber market, and Muslim banking. Notably, it is an agenda that emphasizes more than any other contemporary theory the ethical import of empirical research.

For this reason, ISCT will no doubt provoke cries of "ethical relativism" from some quarters, but, as we have taken pains to explain, the theory not only sanctions moral free space for economic communities, it also establishes unequivocal boundaries on free space. The claim that moral free space, though limited, nonetheless exists is unchallengeable. The belief that ethical problems in business can be resolved entirely without appeal to the shared convictions of living people has never been popular among anyone except modern ethical relativists.

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