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**Learning From the Founders:
Organized Labor, Corporate
Social Responsibility, and the
Limits of Stakeholder
Management**

The “Labor question” was the primary social issue facing business in the 1920s

- The United States experienced “the bloodiest and most violent labor history of any industrial nation in the world” (Taft & Ross, 1969, Commission on Violence)
- WWI encouraged some degree of labor-management cooperation
- Wages lagged profits during the twenties.

1930-1947: Age of Cataclysm

- Discrediting of laissez faire
- Government generates demand
- Grand compromise in labor law (Wagner, Taft-Hartley Acts)
- Wartime labor-management cooperation returns
- 1934-1937, 45-47 Height of labor militancy
- Resurgence of Soviet threat

1920s

1940s

1950s

PRO-LABOR TAYLORISTS	LABOR- MANAGEMENT COOPERATORS	CSR: The FIRST GEN- ERATION
Cooke Tead Metcalf Sidney Hillman Gompers?	Golden Ruttenberg Scanlon Phillip Murray? (J.M. Clark) (Sumner Slichter)	Bowen Selekman Chamberlain Dale McGregor (Galbraith) (Dunlop)

“A NEW HOPE”

- Labor-management cooperation leads to efficiency.
- Rational generosity strengthens business climate.
- Competition with Communism, Socialism.
- Institutions respect and balance each other (pluralism, countervailing power).
- Gov't independence should be honored.

THE EMPIRE STRIKES BACK

- REDUCE REGULATION
- INCREASE SUBSIDIES (D.O.D., States)
- FUNDING AND SCRUTINIZING OF IDEA INDUSTRY (Think tanks, Universities)
- ROLL BACK OF UNIONISM
- STINGINESS AS STRATEGY

80's: Triumph of Managerialism

- Search for a loyalist alternative to Friedman and Agency Theory.
- CED repudiates its Keynesian past.
- States adopt Corp. constituency statutes.
- Stakeholder theory-benign managerialism
- Voluntary Social Contracting.
Veil of ignorance but **w/o** difference principle

Paradigm Shift

1950s

- MACRO ECONOMICS
- INDUSTRIAL RELATIONS
- SOCIAL POLICY

1980s

- PHILOSOPHY
- MICRO ECONOMICS
- ETHICS OF DECISION-MAKING

Mill on Stakeholder Theory

“We need not suppose that when power resides in an exclusive class that class will . . . deliberately sacrifice other classes: It suffices that . . . the interest of the excluded is always in danger of being overlooked, and when looked at, is seen with very different eyes from those of the persons whom it directly concerns.”

Tead and Metcalf

(Quoting Mill) “Human beings are only secure from evil at hands of others, in proportion as they have the power of being, and are, self-protecting.” [a truly cooperative attitude will only arise] “when there is confidence on all sides that basic rights and interests are adequately secure so that attention can be turned safely to corporate aims of a constructive and productive character” (1933, p. 444).

Howard Bowen

- “[t]he businessman’s viewpoint is that management should function as a trustee mediating among the several interest groups, but that the power of decision-making should rest exclusively with management. [This] is regarded as just another application of the familiar but discredited doctrine of benevolent use of power” (1953, p. 42).

Carl Kaysen

- But what management takes into account is what management decides to take into account, and however responsible management policy is, it is responsible only in terms of the goals, values, and knowledge of management . . . No matter how responsible managers strive to be, they remain in the fundamental sense irresponsible oligarchs in the context of the modern corporate system. (1957, p. 316)

Ted Levitt, the skeptic

“It is much easier to dispense justice, to be benevolent, than it is to share power – especially with those who have the means to compel such sharing” (1958, p. 39).

Ernst Dale (Wharton)

- : “Is it desirable . . . that managers be given the broad social responsibility for allocating resources among the various interest groups? . . . It is contrary to all democratic tradition for constituents to have no say in the selection of their representatives and no way of calling them to account” (1960, p.54-55).

RETURN OF THE JEDI?

- INCREASED INSECURITY EVEN AT “GOOD FIRMS”
- INCREASING WEALTH/INCOME GAP
- STAGNANT WAGES
- LOSS OF DB PENSION COVERAGE
- WHITE COLLAR OUTSOURCING
- CRISIS IN HEALTH CARE

Lessons from the Founders

- **Courage:** even in the era of McCarthyism
- **Realism:** engage with the world outside of business school (gov't, labor, foundations)
- **Compassion:** How are people effected?
- **Humility:** We can contribute w/o the endless and futile chase after grand theory