

Do no harm: a corporate Hippocratic oath

By Robert C. Hinkley

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Hinkley is the originator of The Code for Corporate Citizenship. "The Code" is a 28 word phrase that he proposes be added to corporate charters in all 50 states. A social sector movement to change the laws governing all corporations in this manner is now in the early stages of development.

This phrase would be appended to the sentence in all charters that directs the officers and board of the corporation to conduct the affairs of the corporation for the financial benefit of the shareholders, period. Instead this sentence would replace the period with a comma, followed by the words - "... but not at the expense of the environment, human rights, the public health or safety, the communities in which the corporation operates, or the dignity of its employees."

The principal function of government is to protect the public interest. In a liberal democracy such as ours where everything is legal until a law is passed making it illegal, protecting the environment and other elements of the public interest can be a difficult task. It is impossible for government to foresee all the ways the public interest may be attacked and pass laws in advance prohibiting such behavior.

The effectiveness of a liberal democracy is highly dependent upon the self-control of those that it governs. It needs them to refrain from using their freedom to pursue their own interests in ways that damage the public interest. This requires citizenship, especially from those that have the greatest capacity to damage the public interest.

Citizenship has two parts. First, citizens do not intentionally harm the public interest. Secondly, when their behavior is found to be damaging the public interest in ways, which were not previously apparent, they refrain from continuing such behavior and do not interfere with the democratic process in its effort to pass laws making such behavior illegal.

Liberal democracies work best when the governed have little ability or inclination to damage the public interest. When this form of government was first conceived, it only needed to be concerned with protecting the public interest from people. This was relatively easy. Individuals then had little capacity to significantly damage the public interest.

Today, government's job is much more difficult. It must contend with the modern corporation.

Corporations are not like people. Because their actions are the collective actions of hundreds and sometimes thousands of people working together backed by huge sums of capital, they have tremendous capacity to harm the public interest.

Unlike most people, the modern corporation also has no natural respect for the public interest. By law, its only goal is one of self-interest, the pursuit of profit. Too often this results in them lobbying our legislatures to preserve their right to continue with business as usual. You can't blame them for this. If business as usual is the most risk averse way of maintaining profitability, it's only natural they react in this manner.

Corporate organizational structures also act to diffuse personal responsibility for corporate actions. When no one person can be held accountable, destruction of the public interest is more likely to occur.

These traits inhibit the modern corporation from behaving as good citizens.

Citizenship is different from corporate social responsibility (CSR). CSR occurs when, in an effort to protect the public interest, a company does more than the law requires. As a company becomes more socially responsible, its behavior approaches corporate citizenship. Social responsibility comes in degrees. Citizenship does not. Good citizens do not harm the public interest in the pursuit of their own interest. CSR can also be turned on and off like a light switch. Citizenship requires consistency. You can't be a good citizen some of the time.

The extent to which a company externalizes costs that damage the public interest can be described as a company's "Citizenship Gap." When operating in the Citizenship Gap, companies act legally (and maybe even socially responsibly), but they are not being good citizens. The consequences of the Citizenship Gap can be seen wherever legal behavior results in significant damage to the public interest, including global warming, third world sweatshops and millions of people succumbing prematurely every year from tobacco.

In order to make companies better citizens we need to consider two things. First, should we continue to construe corporate gain at the expense of the public interest as normative and acceptable behavior? We wouldn't accept an individual changing the world's climate, paying children six cents an hour or causing the premature death of millions of people. Should we continue to accept corporations doing it?

Secondly, we should question whether profit and protection of the public interest need be thought of as mutually exclusive goals forever. Our companies have operated for a long time under rules that allow them to externalize costs. We should consider how long a transition period is necessary to wean them off this. During this period investments in old plant, technology and processes that damage the public inter-

est can be amortized and investments in new ones that do not can be made and bear fruit.

Big corporations are among the most, if not the most, powerful forces in our society. It's not good enough that they be socially responsible once in a while. We need them to respect the public interest all the time. In order to get that, we need to temper their inclination to pursue their own interest at the expense of the public's.

Making money is all well and good, but doing so should not come at the expense of the environment, human rights, the public health and safety and other elements of the public interest. We should cease the long running debate about "where" and "how" much corporate damage to the public interest is acceptable and begin to discuss "when" it should stop.

The law, which says the corporation's purpose, is to make money for shareholders needs to be improved. It should include a form of Hippocratic oath similar to that taken by doctors. First do no harm. Changing the corporate law to include such an oath is a necessary step towards closing the Citizenship Gap.