Robert Frank and Philip Pettit 'Corporations in the Economy of Esteem', in Subramanian Rangan, ed., Capitalism beyond Mutuality: Perspectives Integrating Philosophy and Social Science, OUP, 2018, pp 229-55.

Abstract

Even in a regulated and competitive market economy the behavior of firms leaves much to be desired. Looking beyond the invisible hand of the market and the iron hand of the law, this chapter outlines and assesses arguments for the intangible hand of civil society. The central mechanisms in our model depend on the importance of social esteem and self-esteem. Such esteem depends on assessments of true intentions and dispositions for costly pro-social actions. Instrumental or reputation-shaping pro-social actions matter little in the economy of esteem. What is required is a common belief that conformity to certain costly standards benefits all; and that conformity is observable and elicits social approval (and vice versa). We acknowledge and review why in the realm of competitive commercial organizations, the challenges may be considerable for the intangible hand model to take hold. Moralizing (or professionalizing) the firm's agents, inducting the voice of affected parties in the deliberation of firms, public (if strategically delayed) disclosure of internal deliberations, and public commitments by senior leaders all offer promise in enacting an economy of esteem in the world of competitive commercial firms.

Keywords

economy of esteem; collective benefits; social esteem; self-esteem; intangible hand; corporate bodies as agents; cultural standards;

observability; moralization of executives; shaming; outside observers; deferred transparency; public commitments

Chapter 12

Corporations in the Economy of Esteem

Robert Frank and Philip Pettit

Two powerful influences on human behavior are routinely recognized in the social sciences, and indeed in common sense. One is the influence of material reward, the other the influence of material penalty. The first is invoked in the invisible hand model, under which a collective benefit comes from people's acting for their own material gain, as in seeking to sell high and buy low. The other is invoked in the iron hand model, under which the state ensures a collective benefit by coercing people to conform to its dictates, under threat of material or behavioral loss.

In this essay we explore a third powerful influence on the behavior of individuals—the desire for esteem, both in the eyes of others and of the self. We explore how far this desire might also be used to support collective benefits, focusing on its potential as a motive for corporations. The essay is in two sections. In the first, we give an account of this force as it operates among individuals; in the second, we look at the possibility of using it to mobilize corporate bodies in general and corporations in particular.

The reason for our interest in the potential influence of esteem derives in part from skepticism about the potential of the invisible hand of the market and a sense that on its own the iron hand of the law is also likely to be unable to get corporations to abide by appealing standards. The invisible hand does not reach very far in the standards it can support, as we shall see later. And while the iron hand of the law is certainly necessary in setting standards for corporations, including standards relevant for esteem, it can often elicit resistance among those bodies, presenting itself as a foe to be foiled rather than an authority to follow.

The Economy of Esteem Among Individuals

The Esteem Motive

We have separately subscribed in previous writings to the existence of a force in social life that is distinct from the material incentives invoked under the invisible hand of the market and the iron hand of the law. This consists in the first place of an attraction to scoring high in the eyes of others and an aversion to scoring low.[1] Scoring high means winning social esteem for being a reliable or robust source of good: in effect, for doing good out of a virtuous disposition, not just because it's in your narrow material interest to act that way. But individuals can enjoy a second form of esteem not only when others give them esteem, but also when they themselves know that they merit that esteem, whether or not others actually deliver it. In this case they score high in their own eyes, if not in the eyes of others; they enjoy self-esteem rather than social esteem. As scoring high in the eyes of the self or of others is attractive for most of us, scoring low is aversive. This means suffering disesteem for not being a reliable source of good or, in the extreme, for being a reliable source of evil: in effect, for doing bad out of the lack of a virtuous disposition or out of a disposition that is positively vicious.

Under the esteem hypothesis you are esteemed or disesteemed, not for doing good or bad, no matter what the motives, but for doing good robustly or failing to do good robustly or, the extreme case, for doing bad robustly. How others esteem you, and how you esteem yourself, is a function of the dispositions out of which you act, not just of the deeds that you perform; it is driven by the sort of person you show yourself to be in your actions, not by the particular actions that circumstances happen to trigger.[2]

The metrics of good and bad required for the esteem incentive may vary in some degree between societies or within a society between subcultures; honor among thieves is not the same as honor among regular folk. But in all communities the dispositions for whose presence you can score high or low in our sense are matters over which you as an agent exercise some control: they are not as fixed by nature or background as your looks or girth or hair color. You may win or lose admirers depending on your looks but you can only win or lose esteem, in our sense—and at the limit suffer disesteem—for dispositions that speak for you as an agent.

The Attraction of Esteem

What makes it attractive to enjoy esteem, and aversive to suffer disesteem? The sanctions in the case of social esteem consist in the fact of being more or less saliently held in high or low regard by others. The sanctions in the case of self-esteem consist in the fact of being able to hold yourself in high regard or being forced to hold yourself in low regard. Three sources of data argue for thinking that self-esteem and social esteem are both attractive for human beings and, by implication, that corresponding forms of disesteem are aversive or repellent. These sources are: common sense, social science, and long tradition.

Taking self-esteem first, common sense testifies to its attraction insofar as we all associate having high self-esteem with satisfaction, and having low self-esteem with frustration or depression. And data from social science support the intuition. Most people, for example, tip at the customary rate even when dining in restaurants they will never visit again (Bodvarsson and Gibson *1994*). And in one experiment, more than half of those who'd found wallets on a sidewalk in New York City returned them by mail to their ostensible owners with the cash intact (Hornstein et al. *1968*). Such behavior might just be due to inherent, unthinking virtue but it is plausibly associated, at least in part, with the desire that we all recognize to be able to think well of ourselves.

The importance of self-esteem in people's psychology is also emphasized within the long tradition of moral and social thought. Adam

Smith (*1982*) made it a centerpiece of his moral psychology, for example, when he argued in *The Theory of Moral Sentiments*, published in 1759, that the desire to please an imagined “impartial spectator” often motivates people to subordinate their own interests to the common good, even when no others are looking.

What is so attractive about social esteem as distinct from self-esteem? We acknowledge that it may often be attractive for its material or behavioral consequences. If I think well of you, and if I think that you are generally well thought of, I will be disposed thereby to treat you as a reliable, attractive partner in different arenas of cooperation. But should either condition fail, I am likely to be very cautious in my dealings with you. I will see you as someone with whom it makes little sense to cooperate, or at least as someone with whom I cannot cooperate without sending a questionable message to others about my own judgment or disposition.

While the social sanctions of esteem and disesteem do have motivating consequences of these material kinds, however, we assume that human beings care about those sanctions, even in cases where associated material consequences are unlikely to materialize. In other words, they care about the social sanctions, as they care about the sanctions in self-esteem, for their psychological attractions. There is evidence for this claim on the three fronts invoked earlier: common sense, social science, and historical testimony.

That the claim answers to common sense shows up in widely shared experiences and expectations. Thus we all expect people in public office to worry about their posthumous standing, even when they do not now stand to benefit materially from it. And equally we expect people to shrink with embarrassment from being judged negatively by observers they are unlikely ever to meet again: think of how you would feel if you realized that the stranger in the car beside you in stalled traffic is observing you as you pick your nose.

This commonsense belief in people's inherent attraction to esteem, and aversion to disesteem, is borne out in social scientific studies. Think of the result of a study of New York public washrooms showing that whereas only about 35 percent of women washed their hands after using the toilet when there was no one else present in the public area of the washroom, nearly 80 percent did so when there was someone else there (Munger and Harris 1989). Or consider a review of studies of people who are induced to do things they themselves consider wrong, which suggests that people may generally act "out of fear of embarrassment, or of threat to their own or another's face" (Sabini et al. *2001:* 13) The claim that the sanctions of social esteem matter independently of their material consequences is also borne out in long tradition (Lovejoy *1961*). From classical writers like

Polybius and Cicero, through medieval and Renaissance authors as diverse as Aquinas and Machiavelli, down to the European Enlightenment, it was a routine and recurrently emphasized assumption that people care deeply about what others think of them, independently of how this leads others to act.

John Locke (*1975*: chapter 28, §12) put the assumption forcefully in his *Essay Concerning Human Understanding* of 1689: “he who imagines commendation and disgrace not to be strong motives to men to accommodate themselves to the opinions and rules of those with whom they converse, seems little skilled in the nature or history of mankind: the greatest part whereof we shall find to govern themselves chiefly, if not solely, by this law.” Adam Smith (*1982*: 116) echoes the theme in *The Theory of Moral Sentiments*: “Nature, when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard. She rendered their approbation most flattering and most agreeable to him for its own sake; and their disapprobation most mortifying and most offensive.”

Toward an Economy of Esteem

Given the existence of an attraction to esteem, and an aversion to disesteem, we should expect this to play a part in driving people’s actions, in shaping their adjustments to the actions of others, and of course in determining their responses to the aggregate effects of such actions and adjustments overall. The esteem motive in its full socially and self-oriented forms should come into operation in any context, to mention two salient but plausible conditions, where people share certain standards for assessing behavior, and are generally exposed to the assessment of others as well as to their own.

The esteem-based rewards and costs of different actions—in effect, their prices—are likely to vary, depending on how far the actions priced are prevalent in the culture and depending, consequently, on the standards assumed in common by the parties. Among monks, honesty may be taken for granted, not particularly prized, and dishonesty may be treated as a matter of deep disgrace. Among politicians, honesty may merit honor and praise, dishonesty may be so run-of-the-mill as to go unremarked. You may gain little for displaying honesty among monks, whether in your own eyes or in the eyes of others, and you may lose a lot by proving dishonest. You may gain a lot for displaying honesty among politicians, again in your own eyes or the eyes of others, and you may lose little by proving dishonest. There is a market in the dispositions you display, as there is a market in the goods and services you provide, and that market is going to determine the relative prices your actions command.

This is to suggest that we should expect an economy of esteem to arise in almost any context of shared standards and mutual exposure. But there is a problem that may seem to block its emergence, and it is important that we address this and show that it is not a fatal obstacle.

Suppose that people recognize the social gains they can make by proving to have dispositions for good—say, honesty or trustworthiness or kindness—and the losses they must face by failing to do so or by proving to have dispositions for bad. And now imagine that, desirous of doing well in the social esteem stakes, they act virtuously with a view to achieving such rewards and avoiding penalties; and this, as a matter presumably manifest to all. Doesn't that mean, paradoxically, that they are bound to fail, since their acting that way will display only an opportunistic rather than a reliable desire for the esteem of others, not any more admirable virtue—not even a desire for self-esteem—or indeed any more despicable vice? Jon Elster (*1983*: 66) raises the problem nicely, with a focus on the virtue side. "The general axiom in this domain," he says, "is that nothing is so unimpressive as behavior designed to impress."

There are three points to make in response to the Elster problem. They each invoke a plausible psychological effect, and we describe these as the attribution effect, the backgrounding effect, and the habituation effect. While any one of those effects might not completely resolve the problem and explain how an economy of esteem emerges, they serve together to make such an economy seem highly plausible. The effects are liable to materialize, as we shall argue, even on the assumption that people care only about social esteem. But they are bound to be reinforced under the assumption that they care also about the self-esteem they can muster.

The Attribution Effect

The first response is that even if you act honestly or trustworthily out of a desire for esteem, not out of the virtue of honesty or trustworthiness, still you are likely to be taken, as a matter of common attribution, to display the virtue. This is because of the fundamental attribution bias that, by widespread consent, is taken to shape our observations of one another. This bias is the tendency with any form of behavior to explain it by a closely related, more or less low-level disposition—one like honesty or trustworthiness—rather than by a high-level disposition to adapt suitably to circumstance: say, by the disposition to take whatever means the situation provides for achieving esteem.[3]

In support of this suggestion, consider this remark by E. E. Jones (*1990*: 138): "I have a candidate for the most robust and repeatable finding in social psychology: the tendency to see behavior as caused by a stable personal disposition of the actor when it can be just as easily explained as a natural response to more than adequate situational pressure." The finding that people are deeply prone to the fundamental attribution bias supports the idea that, even when they are conscious of their own sensitivity to a force like the desire for esteem (Miller and Prentice *1996*: 804)—even when they are lacking to that extent in self-esteem—people will be loath to trace the behavior of others to such a situational pressure. They will be much more likely to see honest behavior as a sign of honesty, trustworthy behavior as a sign of trustworthiness, and so on.

This response to the Elster problem may be less than satisfactory because it supposes that an economy of social esteem will materialize only to the extent that you consciously mislead others, acting out of a desire for social esteem while seeking to be taken to act out of one or another virtue. According to this response, you will dupe others in leading them to think you have virtues that you simulate but do not truly possess or, at the other extreme, to think that you do not have vices you do actually harbor but are masking for strategic reasons.

The Backgrounding Effect

A second response to Elster's objection is that if you simulate virtue out of a rational desire for social esteem, then it should quickly be clear that it makes no sense to continue to deliberate, case after case, in support of the conclusion that the esteem you seek argues for simulating virtue. Assuming that it will be good policy in the general run of cases to act as virtue would require—it will pay for itself in esteem dividends—it would be a waste of effort to continue with such strategic thinking. It would be more efficient for you in those cases to have a policy of acting virtuously without a second thought, and to allow yourself to reflect explicitly on your strategic ends only when the red lights go on: only when there are strong indications that acting virtuously would impose costs sufficient to eclipse the benefits of esteem.[4] And not only would this be a more efficient use of your time. It would also be a more effective strategy for winning esteem, since others are likely to see that you are only simulating virtue if you make a habit of case-by-case strategic deliberation.

This second response suggests that a rational policy for anyone seeking social esteem may be to background the end of esteem—to put it out of your mind—and to act on automatic pilot in meeting the requirements of virtue. This means that the distinction between strategically simulating virtue and actually possessing and displaying it may not make for any real, behaviorally significant difference.

The observation is important because it suggests that unlike other strategic rewards and penalties, the attraction to social esteem and the aversion to social disesteem are unlikely to crowd out virtue. There is a good deal of evidence that as people are induced to focus on a strategic end as a reason to act virtuously, this may drive out virtue or block its development: pay people for doing overtime, for example, and they are unlikely to preserve or develop an independent inclination to work beyond normal hours (Frey and Jegen *2001*). But the crowding-out effect materializes, plausibly, only when the strategic end is salient and palpable. And given that a desire for social esteem argues for backgrounding strategic thinking and acting virtuously without a second thought, there is little reason to think that it will crowd out virtue in the same way.

Our second response to the Elster problem is, in short, that the clear gains from economizing on cognitive effort may indeed support a general policy of doing the right thing, of not bothering to calculate whether each new situation constitutes a profitable opportunity to cheat. But, as the first response is less than fully satisfactory, so the same is true of the second. For if saving cognitive effort were people's only motive for behaving well, they would see little reason not to cheat if someone else were to point out that the odds of being punished for cheating were sufficiently low in a specific instance.

Consider a man who drives for forty-five minutes through heavy traffic to return a gallon of unneeded pesticide to an approved disposal facility. If he does this merely because it didn't pay to calculate the odds of being caught disposing of it improperly, we would expect him to change his behavior if someone pointed out that the government had no practical means of detecting when someone pours unwanted pesticides down his basement drain at midnight. Some might indeed respond in this way, but many others would be offended at the mere thought

The Habituation Effect

A third response to the Elster problem is the observation that if tradition is to be believed—in particular, a tradition of Aristotelian provenance—then simulating virtue in the way social esteem requires is likely to bring virtue into existence, making it a matter of second nature. In our terminology it is likely to habituate agents in the exercise of virtue. Generating a more or less autonomous disposition for virtuous behavior, it is likely to turn the virtue they simulate into a reality: to make the *philotomos*, the lover of honor, into a *philagathos*, a lover of good.[5]

How likely is it that the Aristotelian effect will materialize and that many people, under the influence of an economy of social esteem, can be brought to conform reliably to socially endorsed standards? There is no saying in the abstract; the question is essentially empirical. But the likelihood of people's behaving in a reliably virtuous way—virtuous, by local standards—is certainly going to be increased if they are moved, not just by a desire for social esteem, but also by a desire for self-esteem. After all, there is little or no difference between someone's acting virtuously as a matter of habit and their acting in that way out of a wish to be able to think well of themselves: that is, to be able to regard themselves as virtuous in the relevant manner.

If the Aristotelian effect materializes in you, then you will no longer operate under a desire for social esteem, whether foregrounded or backgrounded; you will presumably let that motive disappear entirely from consciousness. But does this mean that the motive will then play no role in shaping your behavior and that the economy of esteem—or at least the economy of social esteem—will no longer operate in your life? No, it does not. For it may well be that if you did not enjoy esteem for displaying the dispositions you possess—or, worse, if you suffered disesteem for displaying them—that would have a corrosive or corrupting impact on their presence; it would tend to change you, although perhaps only over time, into a different sort of character.

Is it plausible to postulate such sensitivity? Yes, if as received lore suggests, the presence of the ring of Gyges would be likely over time to corrupt even the best of people, undermining their virtue and their wish for self-esteem (Pettit *2015*). This ring would make wrongdoing—all sorts of wrongdoing, we may suppose—undetectable and would shield wrongdoers from the disesteem of their fellows. Hence it would raise the opportunity costs of virtue enormously—or, equivalently, remove entirely the social disesteem costs of vice—and lead in all likelihood to a great decline in virtue. If this is right, then people's virtue, no matter how Aristotelian in character, is contingent on the relative attraction of the social esteem it wins.

Even if you become fully virtuous on one or another front, then, your behavior may still be deeply shaped by your attraction to social esteem and your aversion to social disesteem. Think about how the cowboy in traditional movies rides herd on his cattle, controlling them in a standby fashion: he generally lets them follow their head but is ready to intervene if any animal wanders off the track he wants them to follow. The social esteem motive may ride herd on your actions, and the dispositions manifested and reinforced by your actions, in roughly the same way (Pettit *1995b*). It may not be there as an active driver of what you do but may nevertheless control your actions in a standby fashion, being ready to be activated in any case where, as we put it earlier, the red lights go on. It may let you behave under the impact of other forces—your virtuous disposition—only insofar as the presumptive benefits of social esteem make this sensible.

The Feasibility of the Economy of Esteem

What we have observed so far is that there are good grounds for thinking that no matter what their other motives—say, their interests in material gain—people are likely to be shaped in some part by the impact of a desire for social esteem and a reinforcing desire for self-esteem: in short, by the attraction of the psychological benefits that either form of esteem promises.[6] But presumably people differ in the degree to which they become virtuous agents—or behavioral simulacra of virtuous agents. And the economy of esteem can work well in shaping people's behavior toward one another only to the extent that they can detect whether those with whom they are dealing really do have the dispositions—or the simulacra of the dispositions—that the economy of esteem promises to elicit. So a crucial question is how far they can reliably discern such praiseworthy dispositions in others.

There is a body of empirical literature that bears on this issue. It is often focused on how reliable people are in identifying those who are likely to cooperate in interactions that have the character of a prisoner's dilemma. These are interactions where it is in the interest of each to defect on the other, regardless of whether the other defects or cooperates; and this, despite the fact that each does better if they both cooperate than if they both defect.

In an earlier experimental study, Frank et al. (*1993*) found that subjects were surprisingly accurate at predicting who would cooperate and who would defect in one-shot prisoner's dilemmas played with near strangers. In that study, the base rate of cooperation was 73.7 percent, the base rate of defection only 26.3 percent. A random prediction of cooperation would thus have been accurate 73.7 percent of the time, a random prediction of defection accurate only 26.3 percent of the time. The actual accuracy rates for these two kinds of prediction were 80.7 percent and 56.8 percent, respectively. The likelihood of such a high accuracy rates occurring by chance is less than one in one thousand.

Subjects in this experiment were strangers at the outset and were able to interact with one another for only thirty minutes before making their predictions. It is plausible to suppose that predictions would be considerably more accurate for people who have known one another for a long time.

In general, we may expect that scrutinizing the character of potential trading partners entails at least some cost. It takes time to get to know someone, after all, and even after substantial periods of contact, observable symptoms of emotional predispositions to behave honestly are likely to be noisy. Just as it would not pay to incur the expense of installing a burglar alarm in a neighborhood where burglaries never happen, it would not pay to incur the cost of scrutinizing potential trading partners if everyone were honest. You'd do better just to trust everyone indiscriminately.

Does this mean that there is likely to be no need for the monitoring of others and no value in the capacity to monitor accurately? No. For cheaters could easily invade any social environment of the kind imagined. And over time, their numbers would multiply until the cost of vigilance came into balance with the corresponding benefits of being victimized less frequently. The expectation, then, is that any equilibrium population will contain at least some dishonest individuals. So while the economy of esteem may enable honest individuals to hold their own in competition with their dishonest counterparts, we cannot reasonably expect it to eliminate the need for vigorous monitoring and enforcement of pro-social regulations.

Illustrating the Economy of Esteem

There are many examples where the economy of esteem can help us explain the vagaries of social life (Appiah *2010*). But we conclude with a somewhat speculative case that illustrates nicely the interaction possible between the attraction to esteem, on the one side, and the aversion to disesteem on the other (McAdams *1997*; Brennan and Pettit *2004*: part 2).

The example bears on the rise of recycling in many countries over the past quarter century or more. At the start of this development, standards began to emerge that made recycling look desirable and, those standards being widely shared, this meant that the relatively few individuals who went to the trouble of recycling would have earned great esteem for their efforts, in the eyes of others and in their own eyes. This being so, we can imagine that forces of imitation, buttressed by the returns in positive esteem, may have helped to increase the numbers and to persuade governments to take steps that made recycling ever easier. But with the increase in numbers and the rise in the ease of recycling, the motive of positive esteem would presumably have grown weaker in its impact, raising the possibility that the recycling movement would stall, decline, or oscillate.

The movement did not stall or decline or oscillate, however, and one possible explanation for why it didn't is readily available within the economy of esteem. For at the point where it ceased to be positively estimable for someone to recycle—at the point where it would have taken pure virtue or sheer habit to assume or maintain the activity—it would likely have begun to be decidedly disestimable not to recycle. At that point recycling would have been a pattern, individually burdensome but collectively beneficial, sustained by a large number of people in society. And in such a scenario, plausibly, it would have been a matter of shame, before others and before yourself, not to play your part. Thus, as the pressure of positive esteem that had supported the rise of recycling tapered off, the pressure of negative esteem—disesteem—would have appeared to provide a second boost to the pattern and to establish recycling as an accepted norm.

The Intangible Hand

The economy of esteem is of interest to any of us who think about how societies and polities might be better organized: that is, organized so that, despite the individual burdens involved in doing so, people act so as to promote collective benefits that count as attractive on more or less all sides or to avoid collective costs that count as aversive on more or less all sides. The economy of esteem holds out the prospect that there may be a third source of beneficial social ordering apart from the invisible hand of the market and the iron hand of the law; this we might describe as the intangible hand of civil society (Brennan and Pettit *2004*: part 3).

The various social thinkers of the past who invoked people's desire for social esteem as a potential source of benefit, casting it as "a saving vice" (Lovejoy *1961*), saw it in precisely this light as a force to be harnessed for the promotion of the common good (Hirschman *1977*). Thus John Locke (1689: chapter 28, §10) argues that, no matter the circumstances of a society, people "retain still the power of thinking well or ill; approving or disapproving of the actions of those whom they live amongst, and converse with: and by this approbation and dislike they establish amongst themselves, what they will call virtue and vice." The Baron de Montesquieu (*1989*: book 3, chapter 6) takes up the theme in 1748 in his *Spirit of the Laws*, when he argues that "honor . . . is capable of inspiring the most glorious actions, and, joined with the force of laws, may lead us to the end of government as well as virtue itself."

As we noted earlier, there are two plausible social conditions that would seem to foster the full use of the intangible hand to promote certain aggregate benefits—results that are collectively beneficial by almost everyone's lights—despite requiring individually burdensome behavior. One, it becomes a matter of common belief that the good of others, indeed the good of all, requires each to conform to certain standards. And two, it becomes a matter of common belief that no one can be suitably sure that they may breach those standards without being detected and disesteemed by others; and/or it becomes a matter of common belief that each can be suitably sure that if they conform to those standards, others will recognize this and positively esteem them for their conformity.[7]

The fulfillment of these two conditions facilitates the operation of the intangible hand in the dimension of social esteem. But self-esteem is going to be relevant too. The first condition ensures that you will enjoy self-esteem to the extent that by relevant standards you merit self-esteem. And the attraction of self-esteem, the appeal of being able to think well of yourself, means that even as the second condition fails—even as you escape the eyes of others—the behavior may still remain in place. The greater the attraction of self-esteem, the higher the degree of certainty of non-detection that is required to make cheating attractive. Cheating is bound to cause a loss in self-esteem and that loss will have to weigh against the expected satisfaction of cheating without being detected.

The intangible hand may operate to the benefit only of a subgroup in any community, of course, and to the detriment of society as a whole; honor among thieves may make theft a more rewarding and more common occurrence. But when honor or esteem attaches only to behavior that benefits almost everyone, then it should be clear that it can operate for the good of society overall. We think it operates in this way among teachers who can get away with not doing their best but make every effort to advance the education of their students; with doctors for whom a professional code, associated with the Hippocratic oath, keeps them fastened on the interest of their patients, even at a cost in hours at the surgery or in remuneration earned; and with workers in any area who avoid the temptation to shirk and, recognizing that they receive a good day's pay, seek to provide a good day's service in return.

The intangible hand can operate to the same effect with businesspeople who abide by codes of fair dealing, even when there are powerful temptations to exploit a customer. One of us has had the following experience, now some years ago, in buying a house directly from the builder of a small housing estate. The price was verbally agreed in April of that year for a house due to be ready in June, at the same time as the other houses. But in May the builder managed, to his surprise, to sell the other, identical houses at much higher prices. When he suggested to the purchaser that he would therefore have to raise the April price, he was reminded of the verbal agreement and declared in response: "I've always boasted that I never renege on a deal on which I have shaken hands and I'm not going to start now. Let's shake on it again: the house is yours at the price we agreed."

The Economy of Esteem Among Corporate Bodies

We are happy for current purposes to think of corporations and other corporate bodies as agents (List and Pettit *2011*). They qualify as agents insofar as they are systems that are representable as reliably pursuing determinate purposes according to reliably formed representations of the opportunities and means available. And not only are they representable in that way. Like individual human beings—and unlike mute animals—they represent themselves to others in such terms, inviting others to rely on their having the purposes and representations they avow and on their performing the actions that they pledge. It is in virtue of those capacities that they can establish ongoing relationships with different sorts of stakeholders, whether those be other corporations or individual human beings.

Assuming that corporate bodies are agents, the question we want to consider is whether the economy of esteem can operate among them, in particular among corporations, to the same effect as among individuals. Assume, as is plausible, that in any society there will often be shared standards that we think corporate bodies should satisfy; and that it will be more or less obvious to all of us, both within and without those bodies, whether or not they abide by those standards. The question then is whether the intangible hand can push them, as it can push individuals, toward the robust provision of collective benefits. Can it ensure their robust conformity with standards that serve the common good, according to common perceptions?

Beyond the Economics of Corporate Reputation

There is no problem in organizing corporations for the robust provision of at least one form of collective benefit in this way. This is the benefit of providing commodities and services of high quality at competitive cost: that is, at a cost such that were it any lower the suppliers would likely go out of business. It is a common, and we assume plausible claim, that in a competitive market corporations are bound to try to attract customers by looking for an attractive balance in quality and cost and, as a result, are bound to want to foster a reputation for being providers that can be relied upon to do so: that is, for being reliable or robust performers in regard to these standards. The invocation of market reputation, which is commonplace in economics, looks like an appeal to the economy of esteem. And the argument that a concern for reputation will drive corporations to try to keep quality up and cost down appears to be an argument within the economics of esteem.

Appearances in this case, however, are quite misleading. The reputation that corporations and other economic producers seek in a competitive market is not necessarily a reputation for being concerned as such with the social benefit of providing high-quality, low-cost goods—for being virtuously focused on serving the community in that way. If a strategically sensible corporation operates in a competitive economy, seeking to increase its market share and its market return, then that will be enough in itself to mobilize an appropriate effort to keep quality up and cost down. And so the only reputation corporations need seek in such a market is the reputation for being canny and prudent enough to respond to the challenges of the market in an appropriate way. They need not have any interest in being taken to promote a good cost–quality mix for the social return it promises and no interest in being regarded as virtuous agents: good corporate citizens, as it is sometimes put.

It is common in economics to invoke the importance of reputation, as in the example cited. But there is a clear distinction between the economics of reputation in that sense and what we think of as the economics of esteem. To be concerned about reputation on a certain action front—say, in producing high-quality, low-cost goods—is to have a primary interest in behaving after that fashion and a derived interest in being reputed to behave in that way. To be concerned about esteem on any front—say, in sticking to promises, as in the example of the builder—is to have a primary interest in enjoying esteem as someone who reliably keeps their promises and a derived interest in actually keeping them: failing to keep them is a sure way, in the absence of excuse, of losing esteem as a promise-keeper. In the first case producing high-quality, low-cost goods appeals to the agent, presumably for the material advantage it promises, and the attraction of a good reputation is simply that it will create more opportunities for benefiting from the performance. In the second case it is being esteemed as a promise-keeper that primarily appeals—this may be in the eyes of the self as well as in the eyes of others—and the attraction of the behavior is that it is a means or precondition for enjoying such esteem.

It is not the intangible hand, then, that leads corporations within a competitive economy to produce high-quality, low-cost goods. Rather it is the invisible hand. By each seeking their own market advantage in the production of suitable goods, and a reputation for reliably producing them, they combine to generate as by an invisible hand—as a not necessarily foreseen or desired consequence—the collective benefit that consists in the availability of such goods. There is no suggestion that they produce that benefit out of a wish to be esteemed for their attachment to community welfare—for their virtue as corporate citizens—as the intangible hand would require.

Toward an Economics of Corporate Esteem

These observations show that we may hope to mobilize the economics of reputation—and more generally, the invisible hand—in getting a corporation to achieve a collective benefit, if that benefit has a particular character: like the quality–cost ratio, it correlates directly with the interests of the individual consumers that the corporation is seeking to satisfy. Because consumers are individually interested in buying products that score well on the scale of quality and cost, corporations are bound to respond to that interest and to help ensure, as by an invisible hand, that the collective interest in having access to high-quality, low-cost products is satisfied. But the observations also suggest, alas, that collective benefits that are not so closely tied to the properties of a corporation's products cannot be generated on the same basis. And the collective benefits we as a society might want corporations to promote are mostly of this kind.

Consider the benefits that lead many of us to think that corporations—and, where relevant, corporate bodies more generally—should abide by the following standards:[8]

- As taxpayers, corporate bodies should be ready to pay the full tax expected and levied under the laws of the relevant jurisdiction.
- As employers, they should be willing to make every effort to look after employee safety, to remove the threat of summary dismissal, and to respond to complaints.
- As producers, they should guard against any risks to consumers, even risks that can be kept hidden or be countered more cheaply by paying court-imposed damages.
- As members of the local community, they should guard against environmental risks associated with company activity, cooperating fully with government.
- As political agents, they should make arguments publicly, avoiding the temptation to win government favors by buying off or threatening politicians privately.

We as a society—we as a body of citizens—may wish that corporations reliably abide by standards like these. But that civic interest, as may describe it, does not connect with an individual or consumer interest in the manner illustrated in the case of the low-cost/high-quality standard. The products or services we purchase from corporations appeal to us primarily, so at least standard economic wisdom suggests, for inherent properties like cost and quality that are there to be observed or inferred at the moment of purchase, and not for properties to do with their origin: for example, their being produced by reliably abiding with the standards illustrated, thereby displaying a form of corporate virtue or responsibility. And since corporations are in a position to be aware of this, there will be no incentive to conform to those standards; there will be nothing like the incentive they have to produce goods and services with a good cost–quality profile.

This means that if we are looking for a form of social ordering—a discipline of penalty and incentive—to get corporations to display or simulate virtue or responsibility, then we can only rely on the economics of esteem. We have to hope that it is possible to induce an interest among corporations in being esteemed for a disposition to abide by suitable standards and to be led by that interest into actually abiding by them. We have to look for reasons why they should seek to be considered virtuous by consumers and other stakeholders in the corporate world; and perhaps also for reasons why they should want to be able to sustain a degree of self-esteem: a self-conception under which they are indeed virtuous or responsible bodies.

We look at this issue in the discussion that follows, beginning from a model of corporate esteem-seeking in the non-commercial sector. We shall see that there are grounds for concern about how far corporations can be incorporated in the economy of esteem. But before coming to that, it is worth noting that the prospect that they can be mobilized by a desire for esteem, however utopian it may be, is not entirely groundless. There are some empirical observations that suggest, contrary to standard economic doctrine, that corporations may be capable of being incorporated and mobilized within this discipline.

Standard economic models suggest, for example, that buyers will be unwilling to pay a premium for products produced by socially responsible firms. Thus consumers may not like the fact that Acme Tire Corporation pollutes the air, but it is supposed in those models that they will realize that their own purchase of Acme tires will have a virtually unmeasurable effect on air quality. And so it is predicted that if Acme tires sell for even a little less than those produced by a rival with a cleaner technology, consumers will buy from Acme.

There is evidence, however, that people with an interest in virtuous corporate behavior will prefer dealing with socially responsible firms even when they realize that their own purchases are too small to affect the outcomes they care about. Conventional economic theory predicted that consumers would not support Patagonia's strategy of charging higher prices to cover the added cost of producing only environmentally friendly products. In the event, however, Patagonia has enjoyed consistently robust profits. Any consumer who stopped to ponder the matter would know that a single household's jacket purchase decision would have no discernible impact on the fate of the planet. Even so, it appears that many consumers have been willing to pay higher prices in the name of a cause they care about (Reinhardt *1999*).

Nor does this example stand alone. Chipotle Mexican Grill, the restaurant chain, openly touts its willingness to incur higher costs by buying meats only from suppliers who do not treat their animals with hormones and antibiotics. Chipotle's consumers are in no position to verify that claim, but the chain's robust growth suggests that many view it as credible (Edwards *2015*). Although no individual consumer would have an incentive to have Chipotle's ingredients tested, investigative reporters have powerful incentives to do so. And Chipotle executives are undoubtedly aware of the dangers they would be courting if their claims about their healthful ingredients were discovered to be false.

These observations suggest that people may be prepared to pay a cost for dealing with socially responsible corporations and that corporations, seeking the esteem of such customers, may be ready to abide by certain demanding standards, regardless of the market risk involved. But there is also some evidence that corporations may have a concern that they should be able to think of themselves—in effect, that their employees should be able to think of them—as responsible bodies, and in that sense that they should enjoy a corresponding level of self-esteem.

One reason that corporations may be expected to have this sort of concern consists in the fact that socially responsible firms appear to enjoy a relative advantage in recruiting employees. Jobs differ in countless dimensions, one of which is the degree to which workers are part of a socially responsible enterprise: one, broadly, that contributes to overall well-being. If job applicants have an interest in being part of such an organization—a body where members are capable of thinking well of what they do together—then that will presumably motivate corporations to be of a kind that supports such self-esteem. It means, for one thing, that they may find it easier to recruit those they want. And it also means that employees may be willing to accept lower salaries than they would otherwise demand.

We see evidence of this effect in the fact that there is a correlation between the social virtue or responsibility of organizations and the fact that employees are willing to accept relatively lower remuneration for the work they do there; they are willing to trade off lower individual salaries for greater corporate virtue, thereby offsetting the costs the organization may have to bear as a result of its responsibility. The competitive advantage this gives socially responsible bodies may be quite significant. In a large sample of recent college graduates, for example, those occupying the most desirable jobs on this dimension earned less than half as much as those occupying the least desirable jobs (Frank *2004*: chapter 5).

This pattern in the data is predicted by the theory of compensating wage differentials, which dates back as far as Adam Smith. It holds that, all other factors held equal, competition will force employers to offer higher wages in order to fill jobs that potential applicants consider unattractive and that the jobs that prove more attractive—in our case, more attractive for being posts with a responsible or virtuous firm—need not be paid at the same rate. But is it reasonable to take wage patterns to be shaped in this way by competitive forces in the labor market? Since the economy operates at full employment most of the time, and since most workers have at least some latitude in their choice of jobs, we believe that it is.

Non-economists often object to this claim by pointing out that the jobs with the highest salaries also tend to have the most attractive working conditions. CEOs, for example, get both high pay and nice conditions. But that objection ignores the other-things-equal assumption of the argument. Because people bring vastly different amounts of human capital to the labor market, they have vastly different endowments with which to bargain for both higher salaries and more pleasant working conditions. Those with high human capital typically use some of it to buy pleasant conditions and the rest to buy higher pay. In contrast, those with low human capital tend to fill jobs with both low pay and unpleasant conditions. In a heterogeneous cross section of individuals, we should thus expect a positive correlation between wages and desirable conditions.

But if we confine our attention to workers with a fixed amount of human capital, our observation is supported: we see a negative relationship between desirable conditions and pay. Evidence suggests that compensating salary differences for what we'll call "the moral high ground" is the most important way in which socially responsible firms are able to overcome what might otherwise be a fatal cost disadvantage.

Corporate Esteem in the Non-commercial Sector

Are there practical means by which we might implement the intangible hand in the corporate arena? The intangible hand operates successfully with individual agents in virtue of one or more of three effects mentioned earlier: the attribution effect, the backgrounding effect, and the habituation effect. And so the issue is whether those effects can materialize with corporate bodies and encourage the development of suitable forms of corporate virtue. Are corporate bodies capable of being fastened on collective benefits in a manner that robustly disposes them to provide the benefits more or less automatically in appropriate contexts? And are they susceptible to the force of esteem in keeping them locked on to collective benefits in that way?

Corporate bodies are a large category, of which corporations are but one species. Looking at corporate bodies generally, it is possible to imagine a variety of organizations that can display a counterpart to individual virtue. This would be a disposition, written into its mode of corporate organization, that more or less peremptorily and robustly requires individuals who act in its name—that is, authorized under its rules—to provide one or another sort of benefit.

Thus consider those monastic communities of the middle ages that operated under the Rule of St Benedict, a set of precepts dating from the sixth century. While the rule could be altered by the autonomous communities that submitted to it, and while it was altered under various reforms through the centuries—this, we may presume, in the face of what were perceived to be red lights—it had a powerfully unchallengeable status in most monasteries and nunneries. The policy makers in those communities would have embraced the rule as expressive of their goals. And the policy takers—the ordinary monks and nuns—would have been virtuously motivated to conform, at least if they joined up voluntarily. Even if their individual virtue failed, indeed, the intangible hand would have been there to nudge them into simulating virtue.

Among other things, the rule required communities to display the virtue of hospitality in quite a high and demanding degree with travelers who came to their doors. Can we say that such a community was hospitable in a manner that characterizes the organization as such, not necessarily its members individually? Yes, we surely can. It is quite plausible to imagine a community that is hospitable at the organizational level, even while the individual monks or nuns may fail in virtue and do so with ill grace, perhaps resenting the demands on community resources. If hospitality requires a more or less robust or reliable response to the needs of a traveler as such, regardless of the various costs involved, then it is surely plausible to say that the organization imagined is designed to satisfy the standard of hospitality, displaying the required virtue.

If an organization is capable of displaying a virtue in the relevant sense—a disposition to provide a collective benefit robustly—then it is surely going to be the case that it can be mobilized under the economy of social esteem to do so. As we can imagine a monastic community displaying the virtue of hospitality, so we can imagine its being moved, if only in a standby fashion, by the desire for esteem. Suppose, then, that this counterfactual is true of the community: that if its hospitality made it a sucker for free-riders, and a laughing-stock in the community at large, then it would revise the rule under which it operates. In that case, it is true as things actually are that its display of hospitality is contingent on its earning esteem benefits in the surrounding society for that hospitality. And this is so, even if the issue of its standing in that society never arises in its internal deliberations.

The role of social esteem in shaping the behavior of a body like our monastic community is likely to be buttressed at the same time by the appeal of self-esteem. We can imagine that individuals associated with the body derive personal self-esteem from the fact of working for an admirable organization. And we can perhaps think of the organization itself taking pride in what it exemplifies and what it does. This will be true to the extent that its members are proud, not of how they perform themselves in their individual agency, but of how they perform as a body.

The fact that a genuinely hospitable organization may operate under the control of the intangible hand means that other possibilities are also open. In principle an organization might not actually be hospitable but act hospitably for the sake of the esteem this earns, relying on something like the attribution effect to hide the strategy it is following. And in principle the organization might simulate hospitality, backgrounding the pursuit of esteem on the grounds that this promises to do best in making the pursuit successful.

The lesson taught by our recherché example applies in contemporary cases too. We can readily imagine a voluntary organization relying on the attribution effect, the backgrounding effect, and perhaps even the habituation effect to present itself as virtuous on one or another front—say, in the provision of welfare or health care or education for a local community—and to win thereby a high level of esteem and standing. Consider the church that moves into a new territory, the NGO that needs to gain acceptance in an alien culture, the political party that hopes to increase its electoral salience in a constituency, or indeed the revolutionary or terrorist group that depends on local acceptance for its survival. In any such case, it is entirely plausible that the organization should adopt a rule governing the behavior of its members that effectively invites esteem for the organization as such.

Corporate Esteem in the Commercial Sector

But while the lesson of our recherché example may apply in a range of contemporary cases, the question we must face now is whether it is likely to apply to corporations or companies or firms: corporate bodies organized to do business in a relatively competitive market. It should be clear from the earlier example that the lesson applies only under quite strict policy-maker and policy-taker conditions. In order for an organization to be able to operate in the economy of esteem, it must be in the overall interest of policy makers to establish relatively inflexible rules. And equally it must be in the overall interest of policy takers to conform, in the absence of plausible red lights, to those rules. The question we face, then, is whether there is any hope of those conditions being fulfilled in the case of corporations. And the first set of observations we make is that the situation poses significant challenges.

Some Negative Observations

Taking the policy-maker condition, is there a good prospect of finding relatively inflexible rules such that it is likely to be in the interest of those who ultimately determine the policy of a commercial corporation—presumably, the board of directors—to impose them? Not in all cases, certainly, for the simple reason that maximizing shareholder value under the constraint of law, which is normally taken to be the goal of corporations, is unlikely to argue in the deliberation of directors for abiding more or less automatically by any rule or standard of the kind illustrated in our earlier list of examples. The law might seek to set such standards and even try to impose them, as by an iron hand, with coercive penalties. But the inevitability of loopholes means that the law will be very ineffective unless the directors internalize the standards and actively impose them from within; if they do not internalize them, indeed, they may see the law as an intruder and actively resist its efforts.

Take the five benefits mentioned in our examples. It is easy to envision cases in which boards might view it as contrary to the interests of shareholders to abide more or less robustly and inflexibly by the corresponding rules. The law will always allow loopholes for avoiding certain tax payments or will always be imperfect enough to leave scope for evading them. And something similar will be true of other cases like reducing costs in providing for employees, taking a softer line in guarding against consumer risk, playing fast and loose with environmental standards, and looking for favors from government. If a corporate board believed that survival required doing no more than required by law—on the minimal interpretation of those requirements—it would be reluctant to commit to any of our five standards in a binding, robust fashion.

But even if the policy makers on the board of a company were willing to commit to a rule in any of these areas, it would still be necessary to induce the policy takers among the executives of the company to background deliberation reliably, letting the rule govern their decision making in a relatively mechanical fashion. Anybody like a corporation is going to have one or a number of committees whose members are responsible for what is done, now over this domain, now over that, in the company name. And that means that if the corporation is to abide by a rule—in particular, a rule with a red-lights exception built in—then it must be in the interests of such committee members to abjure deliberation about the merits or demerits of following the rule and not to overuse the red-lights exception to argue that the organization can benefit by neglecting the rule in this or that case.

There is no problem with the idea that an individual might adopt the policy, and get into the habit of not deliberating case by case about whether the esteem benefits continue to argue for following a certain rule. That individual can outsource the signal that activates deliberation, letting indications from the environment determine whether or not the red lights are on. But the executive members of any committee may be tempted to argue that there are enough red lights present in any case for the corporation to think again about a rule in place.

There are two aspects to challenging a rule that are bound to make it attractive to executives. The first is that challenging a rule, even challenging a rule supported powerfully by a law or norm—say, a rule governing the payment of taxes or the treatment of the environment—may not bring much disesteem down on the challengers. They can present themselves to fellow members, and even to the world at large, not as seeking personal benefit, but as caring for the benefit of their principal: the corporate person. When you act for yourself in a self-regarding way you run the risk of being shamed for your egoism—for the extent to which you are relatively indifferent to the welfare of the community at large. When you act for another entity like a corporation you do not run a similar risk, for you can present such vicariously self-regarding behavior as motivated by an other-regarding concern. You are not an egoist, so it will seem; you are just doing your duty by the principal you serve.

The second aspect that is likely to make it attractive for executives in a company to challenge a rule of the kind envisaged is that by doing so, they can show their identification with the organization, looking for esteem in the currency of organizational welfare. All members must acknowledge the relevance of that currency, on pain of putting their own commitment to the body in doubt. The currency is well grounded in the only common ground that they may share: their interest in the corporation that they each serve. This consideration was registered very clearly by David Hume, although he had a political rather than a corporate context in mind. “Honour is a great check upon mankind,” he wrote. “But where a considerable body of men act together, this check is, in a great measure, removed; since a man is sure to be approved of by his own party, for what promotes the common interest [of the party]; and he soon learns to despise the clamours of his adversaries” (Hume 1994: 24).

The considerations so far suggest that there are serious difficulties in the way of getting corporations to respond to the economy of esteem and to be guided by the intangible hand. They make it hard to see how to suppress the effects that would render corporations incapable of being robustly bound to standards in the same virtuous manner as individuals. Yet these difficulties may sometimes be surmounted, and we close with some more positive observations.

Some Positive Observations

The policy-maker condition that must be satisfied if the intangible hand is to operate in the corporate world certainly poses a challenge. But it is not by any means impossible to satisfy. Thus a majority of shareholders might demand that the board follow some relatively inflexible rules, reflecting accepted laws or norms; this might happen under pressure from public opinion, for example, in particular from various social movements and NGOs. Alternatively a CEO might command enough confidence among shareholders to be sure of winning a majority to his or her side in responding to such pressure and announcing a strict and demanding policy.

Let us suppose that corporations can satisfy the policy-maker condition, as we have described it, and embrace relatively inflexible standards. They will be capable of robustly conforming to such standards, however—and of being motivated by the esteem that such conformity will presumably earn—only if they can meet the policy-taker condition as well. They must be able to shut down deliberation about conformity other than in cases where it is plausible, by anyone's perception, that the red lights are on. Are there means whereby this result might be secured? Are there ways in which we might induce corporate executives to abide by standards like those governing tax payment, consumer protection, environmental provision, and the like?

There are four possibilities to register in answer to this query, which might be individually realized or realized in a mutually reinforcing way. The first would seek to moralize executives, while the other three would try to inhibit them: one, by introducing outsiders into decision-making committees; a second, by exposing such committees to outside publicity; and a third, by inducing corporations to make pre-commitments that it would be catastrophic not to honor.

The idea in the first approach would be to get the executives responsible for the most important forms of corporate decision making to endorse cultural standards of the sort we have in mind, making it a matter of shame for them to support a breach, or even to countenance the possibility of a breach.

Consider the way we expect our judges to be resistant to taking bribes, given the depth of their professional commitment to impartiality. Or consider the way we expect our auditors to be resistant to cooking the books, given the depth of their professional commitment to independence from the organizations they audit. Judges and auditors know that it means professional death to be caught out breaching their professional standards, this being evident from the cases where breaches are detected. And so we expect them to invest in impartiality and independence, however demanding those standards may be, because they represent minimal prerequisites for standing and acceptance in their professional and even larger communities. Is it a matter of professional ethics that judges and auditors respect those standards? Yes, in a sense. But it is not a matter of an ethics that only the saintly could expect to realize. More importantly, it is a matter of professional ethos: a habit of professional behavior that it would be deeply shameful for anyone not to display.

One way in which corporations may be brought under the economy of esteem would be by inducting corporate professionals into a corresponding economy at the individual level. This individual economy would make it a matter of professional shame, even ostracism, for a business professional to propose or support—even perhaps not to blow the whistle on—a corporate decision to skimp on taxes, put consumers at serious risk, allow environmental damage, or anything of that kind. It would establish a professional ethos that made it unthinkable for executives or directors to countenance a neglect of relevant standards for the sake of organizational advantage.

The other three ways in which corporations might be brought under the economy of esteem would not strictly require this moralization of professionals, as we might call it, although they would certainly be reinforced by such a development. They would work by inhibiting executives rather than by moralizing them.

The first would consist in bringing outside observers or even contributors into the committee rooms where crucial corporate decisions are made. Those outsiders might come from the workforce, from the local community, or from bodies representative of consumers. Their presence might be expected to inhibit the rule-challenging temptations to which executives would otherwise be exposed.

This possibility is supported by a study of how far judges on federal appeals courts are affected by the diversity of appointments on a three-member court. The presence of a democratic appointee on a court with two republican judges or of a republican appointee on a court with two democratic judges has an enormous influence on how the court tends to rule on issues of an ideological kind. The evidence is that such mixed courts are considerably less partisan than completely republican or completely democratic courts; and, remarkably, that in many cases they rule on much the same pattern as one another: which party appointees are in the majority does not make a significant difference (Sunstein et al. *2004*).

If the ideological leanings of judges can be inhibited by the presence of just one judge from the other side, that is likely to be because of an esteem effect. Plausibly, judges are much more inclined to be careful about ruling impartially in the presence of someone whose assessment of their performance is unlikely to be affected by belonging to the same party. But that suggests that the presence of outsiders on corporate committees is likely to have a similar effect in inhibiting the executive temptation to challenge any relatively inflexible rules. It would take a degree of shamelessness for an executive to support avoiding taxes in the presence on individual taxpayers or to support loosening safety standards in the presence of employee representatives.

The second way in which the challenging of rules might be inhibited, and the possibility of corporate virtue facilitated, is really a variant on the second and is supported on the same basis. It would involve opening up committee-room deliberation and decision making to public scrutiny although perhaps, for reasons of commercial confidentiality, only after an interim period of five to ten years. Presumably the prospect of such exposure, however far into the future, might be enough to inhibit executives from challenging rules that would force a corporation to pay its taxes, guard against consumer risk, respect the environment, and so on. That prospect ought to have the same chilling effect—and ultimately the same moralizing effect—as forcing executives to issue challenges to the rules they question in the presence of people who stand to benefit from such rules.

But there is also a third way to inhibit the tendency of executives to challenge inflexible rules. This would come about through the corporation as a whole making such a public, even heroic commitment to following certain rules on the environmental, workplace, or fiscal fronts that it would be a disastrous publicity event for them to be found out breaking or bending those rules. The recent Volkswagen scandal shows that even in the presence of such a commitment, the executives of a corporation may well be tempted to act inconsistently with its pledges. But it is only in recent decades that corporations have begun making commitments of the kind undertaken by Volkswagen. And if the fallout from the car maker's failure is serious enough, that may establish a common acceptance in the corporate world that no executives should run the sort of risk that Volkswagen executives proved themselves willing to take. Thus we might hope that the executives of Chipotle will be motivated by the environmental commitments of their company to stick to the relevant rules. After all, such executives could hardly hope to win the approval of their colleagues for proposing a course of action that would put the corporation at risk of catastrophically bad publicity.

We began this discussion by assuming that the policy-maker condition can be readily satisfied, concentrating then on the ways in which we might try to ensure that the policy-taker condition can be satisfied as well. But it is worth observing that if the policy-maker condition is satisfied as a result of a passionate commitment by the leader of a company—a commitment that shareholders might readily endorse in the case of a successful company—then that could serve to make the fulfillment of the policy-taker condition rather easier to achieve. It might serve to inhibit any backsliding among the executives who have to apply the policy and might even prompt them to internalize it strongly.

At Apple's 2014 annual shareholders' meeting, for example, a representative of the National Center for Public Policy Research, a conservative shareholder activist group, demanded that the company abandon any social responsibility efforts that entailed a penalty to the company's bottom line. In response, a visibly angry Apple CEO Tim Cook responded, "When we work on making our devices accessible by the blind, I don't consider the bloody ROI." He added that the company also made substantial investments in environmental issues, worker safety, and other areas beyond what could be justified on narrow profitability grounds. "We want to leave the world better than we found it," he said (Denning *2014*). Apple, of course, has long been the most profitable corporation on the planet.[9]

This sort of CEO commitment is likely to catch on among other executives of the company, whether out of pure or mixed motives. And it is likely, of course, to prove important in the recruitment of personnel. In *True North*, Bill George, former CEO of Medtronic, and his co-author Peter Sims, trace the personal histories of more than a hundred CEOs of successful companies (George and Sims 2007*).* They argue persuasively that much of the success of these companies is down to their ability to communicate a commitment to broader goals than profit maximization. People with these values often have the capacity to identify and recruit immediate subordinates who share those values, who in turn can recruit like-minded people to work under them, and so on. The corporate conduct that emerges under such leadership is likely to be valued by both customers and employees in ways that reinforce a company’s reputation. And since companies with better reputations can hire on more favorable terms and sell at higher margins, the idea that some companies could remain competitive despite serving the broader goals on our list is hardly far-fetched.

However inconclusive they are, this must bring our reflections to a close. It is of the first importance that we should be able to identify a discipline under which corporations can be brought to abide by our civic norms. The iron hand of the law, operating on its own, is unlikely to be able to impose such a discipline successfully, for the familiar reason that it casts the corporation relative to the state in the role of hare versus hound, thereby encouraging corporate evasion. And the invisible hand of the market is unlikely to be able to get corporations to abide by any civic norms other than those related to product quality and cost. We have sketched the considerations in this essay out of a hope, however faint, that the intangible hand of esteem may prove better suited to the task. We do not suppose that they establish any firm conclusion and offer them only as a starting point for further discussion.[10]

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Comments and Discussion

Frank and Pettit's essay asks a basic question about the motivational psychology of firms and those who work within them: How is it that the motivations of such agents can be properly aligned with the social good? They suggest that the desire to be seen as morally virtuous by others, and the desire to deserve that perception, supports an "economy of esteem" that, under the right conditions, can sustain non-monetary incentives for virtue.

> What are the conditions under which esteem effectively attaches to moral virtue?

At the Society for Progress' second assembly a number of comments focused on various factors by which the economy of esteem can become either detached from or coupled to moral virtue. Anderson noted the observation of thinkers like Hobbes, Rousseau, and Smith, that people too easily tend to admire those who are wealthy and powerful, rather than those who actually do good things. On a related note, Fuerstein pointed to the power of a parallel "sham" economy of esteem, in which large companies spin false narratives according to which their behaviors are good for society. What mechanisms are available for undercutting that kind of dynamic? Meyer observed that esteem often attaches to the performance of specific institutional roles rather than the identity of individuals considered as a whole. This suggests the need for more research exploring the kinds of organizational structures by which the economy of esteem might best be nourished as a vehicle to social good. Lingering in the background are questions about generational and cultural differences: How is technology and social media changing the way people seek and earn moral esteem? How do cultures of esteem vary across cultures and occupations?

How should we think about esteem in relation to moral motivation? Collomb observed that the motivational psychology of esteem seems to reinforce an economic paradigm according to which moral motivations are merely instrumental: we do good only if we expect some kind of selfish reward in return. What about doing good for its own sake? On a similar note, Sen observed that the attraction that people feel to socially beneficial work is often connected to their broader life story and self-conception—"what kind of life do I want?" and "who am I?"—more than the pursuit of some kind of compensation or reward (whether in the form of esteem or money). Likewise, whether or not individuals are willing to cross moral lines for selfish gain often depends on their acceptance of moral rules that constrain or override maximizing behavior. To what extent do "economic" models of human motivation suffice for thinking about the moral tendencies of business? How might these kinds of non-economic models of moral behavior be used to supplement sociological work in institutional design?

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[1] For Frank's work see, among others Frank (1985, 1988, 2004). For Pettit's the primary source is Brennan and Pettit (2004) but see also Pettit (1990, 1995a, 2008). For a recent study in which the economy of esteem plays a major part see Appiah (2010).

[2] There is an asymmetry between good and bad, as registered here, insofar as doing bad may mean failing to target the good or actually targeting the bad. For background on this asymmetry see Pettit (2015: chapter 6).

[3] For a defense of this way of casting the fundamental attribution bias, see Sabini et al. (2001).

[4] It is plausible that the costs involved—say, the costs of risking your life—will eclipse the benefits of esteem only where taking account of them and so failing to act virtuously does not attract a high degree of disesteem: in effect, only where the costs count in common perception as reasonable excuses for such a failure.

[5] These Greek terms do not appear in Aristotle, to our knowledge, but they are used by Polybius (1954), who was a great enthusiast for the economy of esteem and embedded in the republican tradition of thought which he did much to create and shape.

[6] And this is all the more likely, of course, given that people who earn the esteem of others, and their own self-esteem, are generally going to do better than material self-seekers in the prisoner's dilemma and other

interactions where reliable cooperators normally do better than opportunistic defectors.

[7] Being suitably sure in each case means being sure in a measure sufficient to make the expected cost of non-conformity or the expected benefit of conformity high enough to outweigh the temptation to free ride: that is, to share in the benefit procured by those who conform without bearing the burden required of conformers.

[8] If you do not endorse these particular standards, there are many similar examples you might put in their place.

[9] Apple has been criticized, however, for its energetic efforts to minimize its tax bills.

[10] This essay has been much improved as a result of the excellent discussion of an earlier draft at the meeting of the Society of Progress in London, November 2015. We are most grateful for all the comments we received.