ROUTLEDGE COMPANIONS

The Routledge Companion to Business Ethics

Edited by Eugene Heath, Byron Kaldis, Alexei Marcoux

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The field of business ethics continues to expand intellectually and geographically. During the past five decades, scholars have developed and deepened their inquiries into the ethics of commercial and corporate conduct.

This *Companion* provides a novel overview of the discipline of business ethics, covering the major areas of the field as well as new and emerging topics. The eight thematic units range over an extraordinary set of subjects and include chapters on the history and pedagogy of business ethics, moral philosophy, the nature of business, responsibilities within the firm, economic institutions, the 2008 financial crisis, globalization, and business ethics in different regions of the world. Led by a well-respected editorial team, this unique volume gathers an international array of experts whose various critical approaches yield insights from areas such as public policy, economics, law, and history, in addition to business and philosophy.

With its fresh analyses, wide scope, and clarity of approach, this volume will be an essential addition to library collections in business, management, and applied ethics.

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Introduction

Eugene Heath, Byron Kaldis and Alexei Marcoux

The discipline of business ethics continues to expand institutionally, geographically, and intellectually. During the past five decades, scholars in business ethics have developed and deepened their enquiries into the morals of commercial and corporate conduct. As markets have advanced globally, so have universities throughout the world sought to develop courses and research programs devoted to business ethics. As a result, scholars from Europe, Asia, Africa, and the Americas confer at international conferences, contribute to the same journals, and learn from one another. As commerce expands in both geographical reach and novelty, so do business norms come into tension with other social norms, raising fresh questions about the ethical contours of business practice.

There exists, therefore, a growing global audience for a single volume that examines the discipline as a whole, situates chief concerns within a larger economic and theoretical framework, and sets forth themes and concepts in a clear, engaging, balanced, and analytical fashion. This volume fulfills this aim. Its various chapters provide a lucid and comprehensive account of business ethics and place the relevant concepts, arguments, and themes within a larger context of economics, politics, and law. In so doing our authors provide fresh insights and analyses and do not shrink from exploring omissions and unsupported claims, or from suggesting new avenues of research. The volume offers, therefore, a frank assessment of the state of business ethics worldwide.

Such an assessment is, in fact, exactly what a reader should want and expect. After all, as a "companion" the volume should fulfill some of the features of any good companion, even of a friend. Aristotle suggested that friendship might exemplify pleasure, utility, or virtue, with the last manifesting true friendship. In a similar way, this volume should provide pleasures of discovery and enlightenment and promote the utility born of knowledge. Yet, in another extended sense, this volume offers a version of true companionship, at least for the reader who shares with the editors and contributors these aims: to discern what is good and right about exchange, production, and commerce; to learn about how and whether commercial societies may not only be productive but good; and to examine the state and character of business ethics across the globe.

Many of these subjects are, no doubt, contestable and worthy of a thoughtful and deliberate sifting. One of the editors' motivating concerns has been that too much of contemporary business ethics proceeds as if certain leading ideas and topics are mounted permanently at the center of the discipline—in no need of contestation, challenge, or reconsideration. Scholarly explorations simply cite some leading figure or figures and then proceed as if all were settled. Yet such assumptions have a way of discouraging robust inquiry and new perspectives; they lead to treading circular paths of affirmation and celebration, not to blazing new trails of thought and analysis. Certainly, the leading ideas of a discipline deserve a clear and fair hearing, but so do worthy challenges to these ideas. If business ethics is to continue forward, then its commitment should be less to leading figures of the discipline than to ideas, arguments, and analyses.

The *Companion* offers a broad and unmatched overview of the discipline of business ethics—what it *is* and what it may *become*. The authors, who hail from across the globe and from distinct generations, have been selected not only for their expertise but also because of their abilities to address business ethics in a balanced, fresh, and critical manner. In the almost forty chapters gathered in this volume our authors examine salient topics within or related to the discipline, note nascent themes, and provide a critical appreciation of significant ideas as well as an assessment of unexamined concepts, unexplored assumptions, or relevant subjects that have received insufficient attention from business ethics scholars. Notably, some chapters explore the larger context of economic institutions or the history of ideas as these relate to business ethics; others focus chiefly on law and ethics, or on practical aspects of business ethics, whether within the firm or across the globe; still others explore particular ethical issues arising in regions in which commercial engagements and business ethics are advancing. Each chapter offers a full bibliography, as well as a selection of "Essential readings"—works that provide the reader with a basis for further exploration of the topic at hand. In addition, each chapter also notes where in this volume the reader might turn if he or she wishes to find a related or complementary discussion.

The *Companion* consists of eight thematic units. The first includes chapters that introduce the discipline, recount its history, and take up central questions of pedagogy. The chapters in the second section address how ethical theories (e.g., deontological, consequentialist, as well as social contract, virtue, feminist theories, and religious perspectives) have been *applied* to the field of business; the third delves into normative theories specific to business (e.g., stakeholder theory, social responsibility, Integrative Economic Ethics). A fourth part explores essential conceptual considerations regarding business as an organization; the genesis, identity, and nature of the corporation; alternative conceptions of business organization; the varieties of ethical entrepreneurship; and the ways in which economic models may affect the arguments and conclusions of business ethicists. In the fifth division, the chapters focus on the institutions and operations of markets: property as the basis of exchange; money and finance; commercial and political decision-making and the role of regulation and rent seeking in competitive markets; business and the environment; innovation and productivity; and the nature of economic crises, using the financial collapse of 2008 as the focus. The sixth section takes up specific roles within business, with chapters focusing on management ethics (one chapter devoted to theoretical issues, and a second to practical questions), employee responsibilities and rights, the question of exploitation, the ethics of entrepreneurship, sales and advertising, accounting ethics, corporate governance, and leadership. The seventh section offers several chapters devoted to salient concerns of globalization: management across divergent cultures and outlooks; bribery and corruption across the globe; the role of multinational corporations and social responsibility in the global economy; and the globalization of business ethics. The eighth section offers chapters that describe the practice and scholarship of business ethics in countries and regions in transition.

What do the chapters of the *Companion* reveal? Most notably, the *Companion* exhibits the broad and interdisciplinary nature of business ethics and its relation to philosophy, management, economics, politics, law, and history. In a sense, of course, business ethicists already knew these facts about their discipline. However, the reminder is salutary and important:

The attentive business ethicist must cast an eye not only on some specific problem or issue but on how that problem or issue relates to underlying institutions, ethical and economic assumptions, as well as legal or cultural questions. These facts testify to the enduring importance of business ethics and the depth of its topics. The *Companion* reveals secondly how business ethics is not simply a North American phenomenon but also a European, South American, Asian, and African concern. Finally, the *Companion* reminds us that many seemingly settled topics of business ethics—including notions of corporate social responsibility, stakeholderism, even the very nature of business—remain avenues of exploration rather than alleys of assumptions. In this way, the *Companion* encourages a wide array of authors, a great variety of viewpoints, and a genuinely probing assessment of contentions too often regarded as incontestable. Through these effects the *Companion* aims to furnish what friends and companions provide: a steady and genuine resource from which to sift and to explore in an on-going attempt to realize goodness and to live rightly and well.

Part I
The discipline of business ethics

Focused on the ethics of commerce, business ethics (like other disciplines) has a history, theoretical tendencies, and preferred methods. The first two chapters in this section explore the history of business ethics and the way in which trade and commerce have featured in the thought of important philosophers. The next two chapters take up the current discipline of business ethics, both as a field of inquiry with particular theoretical assumptions and as field of pedagogy—business ethics in the classroom.

In the opening chapter, **The history of business ethics**, **Bernard Mees** delineates the broad history of business ethics, commencing from some of its oldest and most ancient sources and then considering elements of medieval thought. With the rise of industrialization there emerged both defenses and criticisms of business and the effects of commerce. Mees notes some of the signal works of the twentieth century that would lead ultimately to the institutionalization of business ethics in the universities and to the contemporary focus on issues of responsibility, leadership, and sustainability.

In Chapter 2, **Theorists and philosophers on business ethics**, **George Bragues** offers a complementary essay that focuses on the ideas and arguments of significant philosophers and thinkers. Bragues discerns a dual tendency emerging in the history of ideas, with the institutions and achievements of trade and business receiving both criticism and valorization. Aristotle viewed trade rather suspiciously, bequeathing to later thinkers, such as St Thomas Aquinas, a "circumscribed tolerance of business." However, early modern thinkers, such as Machiavelli and Mandeville, seek a reconsideration of whether virtue is a unique condition for prosperity, with later thinkers, including Locke, Hume, Kant, and Bentham, developing this reassessment further and offering a positive outlook on commerce. However, Rousseau and Marx offer a more critical perspective. Within the contemporary sphere, says Bragues, philosophers offer a "middle way" between the positive embrace of commerce and its rejection.

In the third chapter, **Theory and method in business ethics**, **Nicholas Capaldi** probes the discipline of business ethics, taking up both its genesis as a disciplinary field and its guiding assumptions. After noting the ambiguities of business ethics, as well as the general antipathy of intellectuals toward commerce, Capaldi situates contemporary business ethics within deeper tendencies of the modern philosophical outlook and delineates how business ethics has become an instance of the philosophical *exploration* of an underlying structure of conduct. After setting forth two opposing narratives of exploration, the Lockean and the Rousseauian, Capaldi suggests an alternative method of business ethics that rejects abstract applications of theory and seeks, instead, to *explicate* the implicit practices and norms of business.

Whether taught by philosophers or management scholars, business ethics is featured in most graduate business schools, as well as in many undergraduate curricula. In Chapter 4, **Teaching business ethics: current practice and future directions**, **Darin Gates, Bradley R. Agle, and Richard N. Williams** distinguish education from training and then canvas the purpose and content of business ethics education, noting its curricular location, academic levels, and methods. They offer counsel as to how education may reinforce a common-sense moral outlook and contribute to a greater awareness of moral blindness and self-deception.

Alexei Marcoux and Eugene Heath

1
The history of business ethics

Bernard Mees

In 1956 the first edition of Samuel Noah Kramer's bestselling *History Begins at Sumer: Thirty-nine Firsts in Recorded History* appeared, a good place if any to look for the origins of business ethics. The earliest written records acknowledged by historians come from the ruins of ancient Sumer, predating the earliest Chinese and European texts by many centuries. And the second-last of his historical firsts is, as Kramer labels it, the "The Pickaxe and the Plow: Labor's first victory." The passage, dating from the third millennium BC, takes a typical Sumerian form: that of a disputation. It begins with a pickaxe challenging a plow to see which implement is superior. The plow states that it is "the faithful farmer of mankind . . . the great nobles walk by my side, All the lands are full of admiration." The pickaxe, retorts in turn, that it is used in many more industries than the plow is, and furthermore:

> You, whose accomplishments are meager
>
> (but) whose ways are proud,
>
> My working time is twelve months,
>
> (But) the time you are present (for work) is four months,
>
> (While) the time you disappear is eight months,
>
> You are absent twice the time you are present.
>
> *(Kramer 1956: 345, trans. Kramer)*

The response of the plow (if any) is not recorded. The pickaxe won its case not just by arguing its broader utility, but particularly by pointing out that a pickaxe works much longer hours.

It is perhaps not customary to think of hours of work as particularly important in business ethics, but how many hours (and how hard) someone works has long been a key concern in commercial circles. One of the most widely accepted ethical judgements that prevails in the business world is that hard work is good and should be rewarded. Indeed a survey of American business ethics (Sutton et al. 1956), from the same year as Kramer's *History Begins at Sumer* first appeared, claimed that hard work was the only ethic broadly upheld in commercial life at the time. The valuing of hard work (as opposed to laziness) is one of the key moral issues still stressed in contemporary business, whether by Confucian cultural nationalists, Middle Eastern Islamic moralists or members of the boards of Western corporations. It reminds us that what constitutes ethical behavior in business can include both universal and ancient issues. At the same time, since what is judged morally good behavior in a business context is often contested and evolving, it may be given both a politically conservative and progressive assessment, as well as being a historically grounded, particular, and contested concern.

If business ethics is centrally concerned with "moral reasoning aimed at supporting managers' ethical obligations" (Green and Donovan 2010: 23), then issues such as work ethic remain central to its understanding. In fact, and as set forth in the first section of this chapter, discourses of business ethics are already evidenced at the dawn of recorded history and ancient philosophical traditions are widely referenced in contemporary business scholarship. In the subsequent section, we glimpse how similar discourses developed under the influence of industrialization; these became entwined with political philosophy as the number and size of organizations grew and increasing urbanization occurred. As characterized in the last section, a more focused tradition has arisen since the 1960s, and it has become a key concern of the business or management curriculum. These three periods of development are historically linked, with facets of present-day business ethics often having quite ancient intellectual histories.

The "idol of origins"

Rather than begin (with Kramer) at Sumer, historical surveys of business ethics tend to start with a reference to the Bible, the laws of the ancient Babylonian King Hammurabi, or to Aristotle, the fourth-century BC Greek author of the *Nicomachean Ethics* (e.g., De George 2006, but see also Abend 2013). But an older philosophical source would be Confucius (Kong Fuzi), the semi-legendary sixth-century BC author of the *Analects* (Confucius, trans. Lau 1979). The Confucian underpinnings of East Asian business ethics, however, have been contested by historians. Duty to the family (*xiao* or filial piety), for example, trumps any duty to uphold state law in traditional Confucian thinking: as Confucius comments in the tale of "Upright Gong" in the *Analects* (13.18) "fathers cover up for sons, and sons cover up for their fathers—'Uprightness' is to be found in that" (Rainey 2010: 25; Sarkissian 2010: 726). Indeed Confucius himself and his many followers (including later Confucian scholars such as Mencius) shared a disdain of merchants (Wang 2004). The notion of a Confucian business ethics often reflects a reconfiguration of the Confucian heritage by members of the Chinese diaspora (Dirlik 1995; Yao 2002; Makeham 2003; Wang 2004). How such understandings might apply in the People's Republic of China today remains something of a quandary when taken from a historical perspective (Sun 2005; Elstein and Tian 2017).

As the French medievalist Marc Bloch (1954: 24–35) explained, the "idol of origins" or the search for roots can often obscure historical understanding. But as Foucault (1972) observes, it is the continuity and discontinuity of discourses (such as ethics) that are a key focus in the history of ideas. From the Greek perspective, beginning a history of business ethics with Aristotle's assessment of commercial relationships in his *Politics* passes over the longstanding Greek traditions that date back to Homer. In the *Homeric Hymn to Hermes*, for example, the god most famous for his thievery states "I will take up whatever business is most profitable" (trans. Brown 1947: 72). In myth, Greek morality is typically daring, cunning, heroic and resourceful, but by the time of Aristotle's philosophical tracts it was logical, measured, considered and thoughtful. This distinction of *mythos* and *logos* (Fowler 2011) is characteristic of ancient Greek thought and is largely omitted from modern business-school accounts of Greek moral philosophy as if it were not a key tradition passed down from antiquity. But Hermes' Roman equivalent Mercury is usually thought to have been named for his association with *merx* or "merchandise"; hence *merchant* "a buyer of merchandise."

With the Greek and Chinese traditions, a third major influence on contemporary business ethics to have been passed down from ancient times is that of the Hebrew Torah and its associated texts. This religious collection from the last millennium BC was supplemented in the Christian tradition by four accounts of the life of Christ and a selection of other (mostly) first-century writings, but the Jewish and Christian scriptural traditions have long proved a treasure trove for moral teachings. From "A false balance is an abomination to the Lord but a just weight is his delight" (Proverbs 11:1) to "It is easier for a camel to pass through the eye of a needle, than for a rich man to enter into the kingdom of heaven" (Matthew 19:24), all manner of scriptural quotations, both parables and specific moral claims, have proved influential to understandings of Western business.

Perhaps most notably, however, from the perspective of historical continuity, is the work of the thirteenth-century philosopher St Thomas Aquinas. Aquinas sought to reconcile the ancient Greek tradition, particularly in the form bequeathed by Aristotle, with Christian Scripture. In doing so, he developed a theory of just price: "If someone would be greatly helped by something belonging to someone else, and the seller not similarly harmed by losing it, the seller must not sell for a higher price: because the usefulness that goes to the buyer comes not from the seller, but from the buyer's needy condition" (*Summa Theologica* ii-ii.77.1). Perhaps more importantly than advocating fairness in trading, however, Aquinas's *Summa Theologica* (ed. O'Sullivan 1952) was considered such a great work for generations to come that he rescued Aristotelian ethics for the Western world and encouraged the establishment of a continuous tradition of writing on business ethics.

Many of the world's non-Western ethical traditions can be seen to be preserved in a state more akin to ancient Greek *mythos* or the largely unstructured manner in which Biblical quotations have often been used by Christian preachers. The Islamic prohibition against the charging of interest (*riba*), for example, derives directly from the Qur'an (2:275) and more reflections on commercial ethics can be found in the Hadith (Sayings of the Prophet) such as "The seller and the buyer have the right to keep or return goods as long as they have not parted or till they part" (Al-Bukhari, trans. Khan 1997: iii, 293). Vedic concepts such as *karma* "action (cause and effect)" and *dharma* "(universal) law" are also important contributions to contemporary Indian understandings of business morality (Berger and Herstein 2014). Nonetheless, a developed tradition of business ethics comparable to the Thomist kind has not fully emerged in non-Western traditions—that is in the sense of major and in-depth studies of the *logos* of business practice. There are longstanding and distinctive discourses of received Confucian, Buddhist, Islamic, Taoist and Hindu ethics at the generic, personal or public levels, but these are not so clearly focused especially on commercial concerns. It is the continuity and focus brought to business ethics by Aquinas that makes him the founder of a considered continuous (or genealogical) tradition of writings on the morality of commercial dealings. The continuous nature of this tradition can be most obviously seen in the works of the late medieval business ethicist Johannes Nider (trans. Reeves 1966) who wrote an entire Thomist-inspired treatise, *On the Contracts of Merchants*, in the fifteenth century (Wren 2000), or John Locke's essay "Venditio" (1661), which still informs conceptions of public choice today (Guzmán and Munger 2014). But perhaps a more crucial contribution of Aquinas was reviving Aristotle's notion of *phronêsis* or "practical wisdom," a term translated by Aquinas into Latin as *prudentia* "prudence."

One of the most popular forms of early modern moral treatise was the instructional manual written for a territorial prince on how to be a good ruler, most famously Machiavelli's

The Prince (1523). These *Mirrors of the Kings* (*principium speculae*) and similar writings mostly date from the Middle Ages and the years leading up to the Enlightenment, and they customarily stress the importance of prudence, one of the four cardinal virtues of classical philosophy and Christianity. As Aquinas emphasized, judgments using reason for evil means or ends were considered to constitute cunning (*astutas*), not prudence (*Summa Theologica* ii-ii.55.3). Cunning (*mêtis*) was the key feature associated by the classical Greeks with Hermes, the god of merchants (Vergados 2012). But, like hard work, prudence has long come to have a traditional association with business ethics, particularly in the areas of accounting, finance and economics. The Thomist concept of prudence may have been narrowed when used in this way, but saving money for the future is still widely considered moral behavior (as opposed to recklessness); hence the "prudent man" rule so important to the development of English and American trust law (and to the law of fiduciaries generally), and the contemporary use of the term "prudential" to refer to a form of financial duty and regulation.

The traditional Western moral values of hard work, fairness and prudence (or thrift) have their equivalents in Chinese, Islamic and South Asian tradition, and are often thought of by sociologists today in terms of Max Weber's (1904/5) notion of a Protestant Work Ethic. Criticizing Weber, however, the British historian R.H. Tawney (1926) ascribed these values not to Protestantism (Weber relied on a lazy form of anti-Catholicism according to his critics; see Borutta 2013) but to changes in attitudes to the acquisition of wealth in early modern capitalism. More recent historians have traced out more fully how notions such as luxury were transformed from pejoratives (the medieval English meaning of *luxury* was "lechery, sinful self-indulgence") to something not only socially acceptable, but even desirable, indicating how transformative a rising focus on economic value was in early modern times (Berry 1994; Kovesi 2015). Similar influences on the development of moral understandings of the value of hard work, industry and thrift seem to recur in most societies. And while it may be difficult for a rich man to enter heaven, profit can still buy luxury, even if "all that glisters is not gold" as the medieval saying recorded by Shakespeare has it.

As in medieval morality plays, Shakespeare's works are often seen by historians as a key source for understanding early modern English morality. And one of the less appealing aspects of Shakespeare's *Merchant of Venice* is the ruse employed by the heroine Portia to make the Jewish money-lender Shylock give up his claim of a pound of flesh from the merchant Antonio. Portia's actions were judged moral to earlier audiences because of Shylock's profession and religion, reason enough to allow Portia to use such cunning against Shylock that he might beg once again "If you prick us, do we not bleed?" (Act III, scene I), but on the other hand for her to make the equally famous refrain "The quality of mercy is not strained" (Act IV, Scene I). The figure of Shylock, as the Jewish moneylender, represents one of the key European racial stereotypes that contributed to the twentieth-century picture of the Jew as being obsessed with money (Shapiro 1997; Reuveni 2010). Above all, the anti-Semitism of Shakespeare reminds us that business morals can change over time.

Critics of capitalism

The emergence of industrial capitalism in Europe in the late eighteenth and nineteenth centuries saw a new focus emerge in considerations of commercial ethics. Issues such as child labor and slavery were considered particularly concerning at the time, much as cigarette smoking, blood diamonds, arms trafficking and pornography remain morally charged issues in business today (cf. As-Saber and Cairns 2015). But much of the criticism of business practice since the emergence of industrial capitalism has derived from discourses that most strongly emerged during the rise of the nineteenth-century workers' movement, and of its supporters, particularly in the works of Karl Marx (1867). The key intellectual influence on the emergence of socialism, however, was the German philosopher G.W.F. Hegel.

Where much contemporary business ethics takes its cue from Immanuel Kant, it was his younger contemporary Hegel who had a greater influence on commercial concerns in the nineteenth century. The Western notion of progress dates back to the ancient period and writers such as St Augustine (Nisbet 1980), but Hegel's understanding that history was politically progressive, as well as economically and technologically advancing, particularly suited the emergence of a critique of business practice that focused on the lived experience of industrialization. Yet, as a transcendental idealist focused on the liberal self, Kant's understanding of the ethics of "good" and "right" has proved an impediment to the development of a wider, more socially grounded, understanding of business ethics. It was Hegel's absolute idealism that inspired more profoundly socialist thinkers such as Marx and hence was more influential in the nineteenth and early twentieth centuries. Kant's *Groundwork of the Metaphysic of Morals* (1785) was a seminal work in Western ethics, arguing that moral questions could be analyzed without recourse to God. "Left" Hegelians such as Marx went further, however, developing anti-religious explanations for ethical matters, decrying religion as an "opiate of the masses" that stopped his contemporaries from seeing that nineteenth-century industrialists had put all the "workers of the world" in "chains."

Where moral reformers such as the Welsh factory owner Robert Owen (Donnachie 2000) had seen the key problems of capitalism as being resolvable by supporting worker cooperatives, Marx (1867) saw the answer to the scourge of labor exploitation in the inevitable collapse of the capitalist system (apparently) presaged by the economic cycles of boom and bust that still typify the contemporary business world. Political economists such as Adam Smith (1776) and David Ricardo (1817) had acted as apologists for capitalism according to Marx, encouraging the "brutal" economic exploitation of factory-owning "parasites" in their endless pursuit of profit. Marx's critique (which held that factory managers were accomplices to "slavery") is not often viewed as part of the mainstream tradition of contemporary business ethics, but rather of political philosophy (Lippke 1995). His monumental work *Capital* (1867) is clearly labeled "A critique of political economy"—i.e., of the works of early economists—and is mainly a study in moral outrage. But in straying so far from the traditions of Aquinas, Kant and Hegel, it often seems a tradition that inhabits only the margins of business ethics discourse today.

Kant is the creator of a tradition of ethics that relies on reason rather than revelation (a common, albeit often unfair criticism of Aquinas). But Kant's influence on business ethics can be seen as negative rather than progressive. Most crucially, Kant (1785) argued that behaviors considered prudent by businessmen (e.g., "honesty is the best policy") could be considered unethical. Kant criticized traditional ethical thinking regarding how a "prudent merchant" behaved as confusing self-interest with principle and duty. Kant not only destroyed the tradition of civic philosophy represented in the genre of the *King's Mirror*, he was the main contributor to the "erosion of prudence" that undermined the Thomist tradition in the minds of many later philosophers (Pieper 1966; Hariman 2003). Kant gave philosophical ethics a new foundation on (ostensibly) rational grounds, but he robbed it of prudence and undermined the received Western philosophical understanding that matters of collective or civic virtue were often not be reducible to individual reason, agency and action.

Nonetheless, the emergence of the nineteenth-century worker movement did inspire action from religious leaders—the traditional gatekeepers of Western morality. Amidst a revival in Thomist thinking, in 1891 Pope Leo XIII issued the encyclical *De rerum novarum* or "On Capital and Labour" that sought to make the Catholic Church's position clear on key matters of political economy. In the neo-Thomist tradition, the Catholic Church is a public guarantor of moral behavior, and *De rerum novarum* forms the basis of Catholic social justice teaching, recognizing (among other matters) the role of trade unions in mitigating the worst effects of industrial capitalism. Reasserted and expanded upon by later works such as Pope St John Paul II's *Centesimus Annus* (1991), Catholic social justice teaching reflects a profound attempt to set out a form of business ethics in the tradition of Aquinas (Pontifical Council for Justice and Peace 2014).

Beginning on an ad hoc basis in the late nineteenth century, groups of Catholic employers' associations also came to be formed, which, by the 1950s, had begun to consolidate internationally (Gremillion 1961). Protestant organizations reacted similarly, realizing that a more considered articulation of Christian moral principles needed to emerge in order to influence contemporary business practice. By the early twentieth century, commercial scandals in the United States had encouraged the establishment of business ethics courses in places such as the Wharton School at the University of Pennsylvania, although these were largely soon forgotten (Abend 2014: 234–40). A former Protestant preacher, Edgar Heermance, produced the first attempt at a survey of American business ethics in 1926, in light of the mania for developing ethics codes that had swept the country in 1922–23 following a relaxation of American monopoly ("anti-trust") regulation that had encouraged the growth of trade associations. Several business ethics professors also produced similar studies (e.g., Taeusch 1931). But the early American business ethics movement seemed to be stillborn. When the William A. Vawter Foundation offered a prize in 1936 for the best business ethics study of the year, the entries proved so disappointing that the competition was never repeated (Abend 2013: 185–89). In his *Acquisitive Society* in 1921, Tawney had mocked the notion that business was a profession and hence could be subject to codes of conduct such as doctors and soldiers were. Most subsequent American commentary duly seemed to prove his point, works like Heermance's *Ethics of Business* (1926) quickly being forgotten.

Business ethics becomes a field of study

The key historical development in business ethics is its establishment as a field of study in university education. The breakthrough work that re-established business ethics as a continuous discourse in America dates to the postwar period and is widely held to have been a paper published by the Jesuit doctoral scholar Raymond Baumhart in the *Harvard Business Review* in 1961, which surveyed contemporary business moral values (McMahon 2002). Howard R. Bowen's *Social Responsibilities of the Businessman* (1953) had also proved an important work in establishing a new focus on the proper role of business in society. Bowen, an economist, had been asked to write the survey by a committee of the Federal Council of Churches and the book is rounded out with a response to Bowen's work by F. Ernest Johnson, a leading American religious studies educator of the day (Bowen 1953: 233–59; Limbert 1969; Acquier et al. 2011). The Federal Council of Churches was worried that the Protestant establishment was falling behind the Catholic Church in not providing more guidance on what upstanding Christian businessmen should consider ethical. Most of the discussion in the United States about business ethics in the 1950s and early 60s stressed the importance of religion as a key source of ethical guidance in business behavior (Clarke 1966; and cf. Carr 1968).

Over the course of the 1960s, however, two new pillars would be added to the anti-business canon developed by figures such as Marx. The environmental movement has a past that reaches back into the nineteenth century, but the appearance of marine biologist Rachel Carson's *Silent Spring* (1962) became a rallying point for a new generation of critics of business behavior. Focused especially on DDT and the harm that pesticides were doing to the natural environment, Carson's work remains a key contribution to the history of environmental activism (McGillivray 2004).

Carson neither founded the environmental movement, nor did she live to see her work become so iconic in early green circles. The emergence of the environmental movement, however, has been one of the most crucial developments in contemporary business ethics.

The other key critical work of the period was Ralph Nader's *Unsafe at Any Speed* (1965), a bestselling exposé of the contempt that American motor vehicle manufacturers had for public safety at the time. Far more than broader anti-corporate works such as J.K. Galbraith's *The Affluent Society* (1958), Nader's book seemed to galvanize the criticism of the American business community emerging on university campuses in the 1960s by a more questioning younger generation. Whereas books such as the American Management Association President Lawrence Appley's *Values in Management* (1968) seem almost bereft of any real understanding of commercial morality, Nader's book and the movement he inspired sparked a new era in business ethics.

Later expressions such as Dennis Gioia's (1992) account of his role in the 1970s Ford Pinto scandal built further on the tradition established by Nader. Nader's contribution, however, did not end with consumer protection. His *Taming the Giant Corporation* (penned in conjunction with Mark Green and Joel Seligman) popularized two new notions that had first been developed by business ethicists such as Richard Eells in the 1960s. The first and most pointed was Eells' notion of corporate governance (Eells 1960, 1962). With the popularization of the term by Nader and his followers, the expression was immediately taken up into business jargon by those seeking to find a way to prevent business collapses and the discrediting effect that journalistic exposés of scandals such as the Penn Central Transportation Company bankruptcy of 1970 inevitably generated (Sobel 1977). Nader also founded corporate activism groups such as Campaign GM that bought shares in listed corporations in order to try to influence the behavior of their boards (Schwartz 1971). Soon irate groups of stockholders had formed ethical and responsible investment bodies, and were calling on union-sponsored pension plans to use their stocks of "workers' capital" to civilize American business (Mees 2015). Begun as an ethical critique of US business, the corporate governance movement still has important ramifications for the moral understanding of what is now described in academic discussions as "financialization"—or "how an increasingly autonomous realm of global finance has altered the underlying logics of the industrial economy and the inner workings of democratic society" (van der Zwan 2014).

The other key contribution of Nader and his associates was his popularizing of the notion of the stakeholder. The basic notion that corporations had a range of broader constituencies than employees and owners had long been part of business discourse, and had been brought into particular focus by Eells in the early 1960s. But it was only in the light of Nader's activism that the idea of "stakeholder theory" began to appear in academic commentary, its first clear articulation even mentioning "Naderites" by name as one of the stakeholders of a corporation (Dill 1975). Given a more elaborate ethical basis by R. Edward Freeman in 1984, the stakeholder approach to business management is one of the key contributions of the new focus on business ethics that first achieved a wider public audience in the 1970s.

Ideas such as the social responsibility of business and the notion that businesses enjoyed a social contract with the communities they were situated in were further developed in the 1970s with the promotion of ideas such as Corporate Social Responsibility (Davis 1973; Carroll 1979) and Corporate Social Performance (Sethi 1975). On the other hand, a new focus on free markets, competition and the emergence of a literature of strategic management now threatened to take business ethics back to an earlier industrial age as a reformed version of nineteenth-century "classical" liberalism emerged. Many of the problems of capitalism experienced during the 1970s, especially those that became particularly prominent at the time of Western "stagflation" ("stagnant growth and high inflation"), encouraged new forms of business thinking as union influence, nationalization and public-sector involvement in key sectors of national economies were criticized and opposed. Many of the advocates of the new focus on entrepreneurialism, privatization and deregulation were demonized by their detractors as lacking a proper moral concern for the effects that industrial and economic liberalization had on the worst affected members of society. But the proposals for reform—of encouraging growth through heightened competition, increased labor-market flexibility and a particular focus on new business formation—were still seen as ethical by their promoters, whatever the claims of their critics.

The 1980s saw the full-fledged emergence of a renewal of capitalist thinking that was derided by its opponents as neoliberalism (Harvey 2005). The command economies of the old Soviet Block were castigated and attempts to develop more "mixed economies" (i.e., partly capitalist, party socialist) were blamed by figures such as Friedrich Hayek (1944, 1960) and Milton Friedman (1962) for holding Western countries back. For both Hayek and Friedman this was a moral as well as a political cause. In a television interview in 1979, Friedman explicitly argued that founding an economic system on greed did not seem to make much ethical sense, but no better economic system had since been developed. Where nineteenth-century advocates of utilitarianism such as John Stuart Mill (1863) saw their philosophical approach as supportive of socialism, precisely the reverse was argued by neoliberals. It was the utility of capitalism that made free markets and competition such a good and right thing for thinkers such as Friedman. Businessmen should act within the law and in line with the general expectations of the society they lived in, but, according to Friedman, socialism was wrong and advocates of Corporate Social Responsibility were enemies of success and growth (Friedman 1970).

In response, much ethical discourse has tended to become legalistic and contractual. Freeman's (1984) version of stakeholder theory explicitly references the theory of justice advocated by Rawls (1971), which is based in a long liberal ethical tradition of political philosophy that dates to early Enlightenment thinkers such as Thomas Hobbes (1651), John Locke (1690) and Jean-Jacques Rousseau (1762). A focus on human rights, particularly in terms of the United Nations' Universal Declaration of Human Rights of 1948, has buttressed the ethical and political response to the utilitarian form of economic neoliberalism that has held sway in much business thinking since the 1980s. Most business ethics textbooks published today duly take the traditions of utilitarianism, Kantian notions of universal rights and Rawls' theory of justice as their points of philosophical departure, as if this abstract tripartite approach reflects the lived reality of day-to-day business behavior, practice and morality.

Part of the reason for the emergence of this three-way normative demarcation in business ethics discourse is a reflection of the way in which the field was institutionalized in America in the 1980s. In response to the growing criticism of business associated with activists such as Nader, a renewed focus on business ethics appeared in the commercial curriculum. The great growth in business schools in the 1980s (with enrollments in business education quickly outstripping those of traditional liberal arts programs) also saw an opportunity emerge for philosophy graduates to move into a new form of academic career. The creation of hundreds of business ethics courses created a need for hundreds of business ethics scholars. This development inevitably led to the emergence of annual business ethics conferences and a range of specialist scholarly journals.

The first business ethics conference in the United States was held at the University of Kansas in 1976, the first annual conferences beginning in 1977 at Bentley College (now Bentley University) in Boston. The papers of the first conference proceedings (Hoffmann 1977; De George and Pichler 1978) show some confusion regarding what business ethics should comprise, with theologians, sociologists and even activists such as Nader appearing at the early meetings. But the influence of key contributors such as Norman Bowie (e.g., in Beauchamp and Bowie 1979) and Richard De George (De George 1982) would see a particular focus emerge on matters traditionally taught in philosophy courses such as Kantian, utilitarian and justice-based approaches to ethics. The canon of business ethics as it emerged from the early conferences, textbooks and academic outlets such as the *Journal of Business Ethics* (founded by Alex C. Michalos in 1982) remained philosophical and liberal (and not conservative or radical) in its approach. Rather than focus on social structures or the broader social science contributions to understanding the political economy, the main focus of business ethics would be idealistic and politically moderate (Lippke 1995).

It is clear from earlier attempts such as Wroe Alderson's (1964) assessment of the morality of marketing that the main focus of academic business ethics could have developed in other manners—the dominance of Kantian, utilitarian and Rawlsian approaches to business ethics is a relatively late development, part of a broader flowering of applied (philosophical) ethics since the 1970s. Yet one of the key problems with the normative American approach is also reflected in the emergence of psychological theories of ethics. Reflecting the dominance of consequentialist ethics (in the sense bemoaned by Elizabeth Anscombe in 1958), not only do textbook accounts of business ethics tend to neglect the longstanding Thomist tradition still embraced by many religiously influenced scholars, they also do not consider studies based on sociological evidence of how people actually behave.

There has been a recent focus on empirical studies in the leading academic journals—Heath (2008), for instance, calls for business ethics to be integrated with the findings of criminology. But much of the empirical literature remains psychologically based and tends to suffer from what critics have long dismissed as psychologism. Lawrence Kohlberg's (1976) model of stages of moral development, for example, essentially takes the developmental or stadial approach seen in Jean Piaget's (1923) theory of educational psychology and Abraham Maslow's (1943) hierarchy of needs, and applies it to morality. The notion of moral progress through a series of developmental stages assumes that people move from accepting contractual types of ethical understanding to a Kantian universalist form if they mature to the highest ethnocentrically Western stage.

Kohlberg's assumption that Kantian universalism represents a more advanced form of ethical reasoning than do utilitarian or contractual forms of moral understanding was one he could not support with experience or well-considered data. What studies there were of ethical reasoning in American society from his day suggest that most of his compatriots used religious, Kantian or justice-based forms of ethical reasoning, with no evidence that one form or the other could be shown to represent a more advanced type of ethical reasoning (Tipton 1982). Similar problems have affected more recent psychological approaches to business ethics with normative models of ethical reasoning increasingly being eschewed in empirical studies.

In response to the perceived failings of general frameworks of ethical reasoning, a more pragmatic approach to business ethics has developed alongside the philosophical and the psychological traditions. A renewed focus on codes of conduct emerged in the 1980s and 90s as the long-discredited notion of professionalizing business again acquired saliency. A focus also emerged on how to get business students to recognize ethical issues in the first place—to engage them further with ethical matters, to encourage them to form their own ethical voices. The widespread notion that the conduct of business was divorced from any ethical standards applicable in the general society (cf. the "separation thesis" of Freeman 1994) was reflected in expressions such as the 1980s adage that the description "business ethics" was an oxymoron (which first appeared in the *Wall Street Journal* in response to a survey of business ethics courses by Hoffmann; see Tannenbaum 1983). Notions such as "moral intensity" and studies of "ethical decision making" (Rest 1986; Jones 1991) found their way into the business ethics canon, adding more speculative function and scope to business ethics theorizing. Despite recourses to folksy notions such as "bad apples" and "bad barrels" (Treviño and Youngblood 1990), very little of this literature seemed to represent much of an advance in the academic project to elevate the moral standing of business practice.

It was, however, perhaps the notion of organizational culture that has had the most influence on such pragmatic approaches to the contemporary business ethics that have emerged under the influence of the business disciplines dominated by psychology. The notion that organizations have individual cultures was already present in the 1950s in the psychologically informed work of pioneers such as Elliot Jacques (1952). But it was the relaunching of the concept in the 1980s, especially by Edgar Schein (1985), that brought the notion of "ethical cultures" to the fore in business ethics discourse.

According to Schein's socializing model, executives who stress "values" and include them in recruitment specifications and codes of conduct will be able to influence the culture of an organization. The notion of organizational culture was much criticized in the 1990s, but still remains a key theme in the business ethics literature. Schein's model has been dismissed as stemming from a misunderstanding of Durkheimian sociology, as analytically wanting and as a product of the 1980s resurgent focus on issues such as how leaders can influence organizational behavior (Starkey 1998; Morrill 2008). Leadership theory in the 1980s went through a similar development as a new form of business literature emerged that was based on widely discredited notions such as "psychohistory" (i.e., the study of figures from the past in order to understand their psychological makeup); see, esp. Bass (1985). The new emphasis on leadership, however, saw the rebirth (and recasting) of the nineteenth-century notion of stewardship (Abend 2014: 332–347), or moral leadership as it had been described in the 1930s by Chester Barnard (Ciulla 2005).

Ethical leadership is an approach that seeks to bring the traditional notion of prudence back into the mainstream of moral discourse, but it does so in a very odd manner. In 1916, Henri Fayol had argued that prudence (*prévoyance*—the term is still used in French to refer to prudential matters) was a key feature of business administration. Mistranslated into English as "planning" (Fayol 1949), in the 1960s prudence was militarized (cf. Greek *strategia* "office of a general") and transformed into business strategy (Bracker 1980; Melé and Guillén Parra 2006). Where Machiavelli (Machiavelli, trans. Bondanella 2005: 82) had explained that prudence was principally concerned with the adjudication of risk ("Prudence consists in knowing how to recognize the nature of disadvantages, and how to chose the least sorry one as good"), the militarization of prudence as strategy occasioned the emergence of a key criticism of the strategic management literature. Stakeholder theory was initially articulated by figures such as Freeman (1984) in terms of business strategy, but what seemed increasingly lacking from business organizations was a recognition of personal responsibility among senior executives and their commitment to what Appleby had already described in the 1960s as "values."

The recent focus on ethical leadership has seen several strands of thinking emerge in what is often characterized as being one of the "positive" theories of leadership studies (Walumbwa and Wernsing 2013). In this discourse, leaders are encouraged to be ethical, model ethical behavior, set up and implement remuneration and promotion structures that reward accordance with ethical goals and otherwise encourage moral behavior—albeit in a manner akin to what sociologists call "social control." Kant's criticism of the prudent merchant as acting only instrumentally is lost in this new approach to ethical action as executives are encouraged to develop ideological and formal control systems in order to mandate particular ethical behaviors in the organizations they manage.

The continued concern with ethical behavior has generated a new vocabulary of corporate citizenship and corporate moral responsibility (French 1979; Banerjee 2007: 41–50). Prudence has also explicitly returned into business discourse under its Greek name of *phronêsis* (Cairns and Sliwa 2008). Yet the ethics of executive pay has not been influenced by such invocations in a noticeable way—it is only an interest in constraining excessive salaries among the trustees of pension funds that seems to have any prospect of bringing the explosion in executive remuneration that developed especially in the 1980s and 90s into any sense of perspective (Boatright

2010). International taxation arrangements that see multinational corporations shift profits to low taxing countries (transfer pricing) also seems more a matter of investment industry governance reform (particularly that championed by union-sponsored funds) than reflecting academic discourses of business morality.

The academic development of business ethics has also spawned considerable reflection on proper standards of behavior in business in non-Western traditions. In the 1980s, a revived form of Confucianism emerged in East Asia, a movement that has even seen a rehabilitation of Confucian tradition (officially demonized under Chairman Mao) in the People's Republic of China (Kang 2012). Where once most things Confucian were dismissed as holding China back, now a resurgence in historical consciousness has seen many East Asian scholars publish academic accounts of the influence of Confucian thought on Chinese, Korean and Japanese business practice. Abstract Confucian notions such as *li* "ritual, rules of propriety" have been brought into debates over non-Western business practice, enriching the particularist philosophical tradition at the expense of assumed universality. And issues such as bribery in cultures where gift-giving remains a traditional part of business life have also emerged as topics of particular interest in business ethics discourse, particularly in the context of China (Luo 2000; Elstein and Tian 2017).

Similar ideas and underpinnings have emerged since the 1990s in Islamic and South Asian academic discourse as ethical traditions of *mythos*, culture and text are brought to bear in new environments (e.g., Chakraborty 1997 and Hashim 2012). Approaches inspired by received non-Western ethical discourses remain a feature of the main business ethics journals. More research and thought, however, is still waiting to be applied to how Western discourses of business ethics might be accommodated with the moral traditions more broadly preserved in other cultures. The development of a properly diverse and international (rather than universalist and cosmopolitan) discourse of business ethics remains a challenge for the future.

Yet perhaps the most salient development in business ethics internationally since the 1980s is the notion of sustainability. Originally propounded by the Brundtland Commission (Brundtland 1987), the United Nations has adopted a three-pillar approach to sustainability—economic, social and environmental—which is emphasized by its Global Compact launched in 1999 by the UN's Ghanaian Secretary-General Kofi Annan. The global business ethics principles proposed by organizations such as the Caux Round Table have been brought together in a universalist manner under the Global Compact, which seeks to influence the behavior especially of multinational corporations. The UN's three pillars have been rebadged by accountants as "triple bottom line" reporting (Elkington 1997) and as matters of ESG (environmental, social and governance) risk in the investment industry (Waddell 2014). Other traditional concerns of business ethics, from working conditions to gender rights, have been increasingly brought under this much expanded discursive umbrella, as all manner of kinds of reputational, social and legal risk are construed as issues of business sustainability. The emergence of the discourse of sustainability has seen an important and emerging change occur in the way that business ethics is conceptualized as well as articulated presently.

According to the UN's Global Compact, sustainable business is environmentally, socially and economically responsible. Thus Corporate Social Responsibility, stakeholder theory and business prudence are all brought together in what is proposed to represent a unified framework. The ethical traditions of different countries and religions are left out of the UN framework in a cosmopolitan approach to business ethics that seems to assume that Kant was right and most other key writers on ethics were wrong. Nietzsche's warning that ethical reasoning is subject to a "genealogy of morals"—i.e., that a historically bound particularism better explains ethical understanding than Kantian universalism—is lost in any assumption that some sort of high tide has now been reached in the development of business ethics. More radical critics of sustainability such as Naomi Klein (2014) claim that the threat of climate change "changes everything"—that the discourse of sustainability simply reflects a business-as-usual approach that focuses only on the outliers—serial polluters and the most egregious violators of internationally accepted labor standards. The phenomena of greenwashing (Greer and Bruno 1996) and "ethical chic" (Hawthorne 2012) suggest that sustainability is not the answer to the longstanding moral concerns that recurrently emerge within and without business, a human activity that at its core has an essentially unethical feature—economic self-interest—that continually seems to need to be policed, interrogated and opposed.

Concluding remarks

The role of individual economic interest that is typically stressed in classical economics has rarely been seen as morally good. Yet some ancient discourses concerning business such as the value of hard work have remained longstanding ethical considerations in the commercial world. Other values and conceptualizations have undergone change over time, from the dismissal of "cunning" or the "erosion" of prudence, to the criticisms of industrial capitalism out of which both socialism and Catholic social justice teaching emerged. More recently, these issues have been revisited in the field of business ethics, a twentieth-century addition to the university curriculum that is often dominated by a form of applied philosophy that was not part of its original formulation. More focus on psychological understandings of ethics has also developed in light of the leading position that behavioral science has long had in management studies. But the most universal articulation of business ethics has come to be that which is associated with the United Nations and the environmental movement, with the discourse of sustainability representing the new cosmopolitan peak of the contemporary business ethics canon.

Essential readings

The history of business ethics has rarely been the subject of sustained inquiry. Morrell Heald (*The Social Responsibilities of Business*, 1970) and Gabriel Abend (*The Moral Background*, 2014) provide the only detailed histories of the business ethics of a period, both focusing on the USA. In "The History of Business Ethics," Richard De George (2006) sets forth a useful historical sketch of the development of the broader field, and Abend, in "The Origins of Business Ethics in American Universities, 1902–1936" (2013), offers a critique of the failing of many previous accounts. In his *The Catholic Movement of Employers and Managers* (1961), J.B. Gremillion presents one of the few historical surveys of the European (and Catholic) contribution of any substance. Christoph Luetge's *Handbook of the Philosophical Foundations of Business Ethics* (2013) provides the most detailed consideration of philosophical writings, but nothing similar is available yet from the behavioral perspective.

For further reading in this volume on the ideas and arguments of significant thinkers and philosophers on commercial ethics, see Chapter 2, Theorists and philosophers on business ethics. On the emergence of business ethics in the 1960s and 1970s, see Chapter 3, Theory and method in business ethics. For a critical assessment of the recent emergence of "sustainability" as a concept in business ethics, see Chapter 22, Business, nature, and environmental sustainability.

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2

Theorists and philosophers on business ethics

George Bragues

Ever since Socrates brought philosophy down from the heavens to deal with the human things, most of the thinkers who have made a name in that subject have reflected deeply on economic life and, particularly, on commerce. They sought to comprehend its origins and nature, its functions and consequences in the social order, along with its relation to the state. This is not to mention how the philosophers endeavored to gauge the proper role of commerce both in the larger community and in the lives of individuals. Even when they were not specifically addressing commerce, they were articulating ideas and theories applicable to it, mainly by providing enduring methods and principles of moral reasoning that help us grapple with situations neither known nor imagined by them. Consciously or not, these notions have been taken up in our time by business ethics, setting the terms of analysis and debate in the field. All the current discussion about corporate social responsibility, stakeholders, sustainability, shared value, living wages, and ethical consumption, draws upon the deposit of wisdom bequeathed to us by the great philosophers of the past. Much more could be mined, to be sure, but more than a few jewels from this deposit have managed to gain currency among business ethicists. Against that age-old stereotype of being an impractical and unworldly enterprise, against the conventional wisdom of our day that sees it as inextricably confined to its historical period, philosophy has much to say that is relevant (and even sympathetic) to our modern-day business civilization.

This should not be taken to mean that philosophy is necessarily at the ready to lend its support to commerce. Philosophy, after all, is the quest for knowledge about the most fundamental principles of reality. Its highest loyalty being to the cause of truth, it does not unhesitatingly render itself the servant of other forces that in any way threaten the fulfillment of its objective. This includes the currently prevailing mode of organizing our economic lives. Philosophy is not pre-programmed to offer counsel to those engaged in the production, buying, and selling of goods and services. Neither is that the case for those holding political offices charged with the task of overseeing commercial activity. It is not surprising, therefore, that the history of philosophy presents instances of friction with, indeed of outright rejection of, the occupations of business. In these, the very idea of business ethics is rendered tenuous, if not entirely ruled out of intellectual court. In the most extreme version of this mindset, business comes into view as so morally compromised that appending the word ethics to it is seen as a glaring contradiction of terms.

In this chapter I endeavor to tell the story of these dual tendencies in the history of philosophy, the one sympathetic and the other in tension with the project of business ethics. I also indicate some of the more notable ways in which these tendencies have been reflected and adopted by present-day business ethicists. This historical survey, along with the contemporary emanations of each phase, is divided into four chronologically ordered parts, each posing a distinct approach to commerce.

As such, the story of philosophy's relation to business turns out to be this: business begins under moral suspicion; it is then morally accepted and praised; from there, business is put beyond saving; it ends up being redeemable under specified conditions. Though the discipline continues to pull concepts from all of these stages, business ethics today is largely the offspring of this story's last chapter.

Ancient and medieval suspicions of commerce

It is tempting to attribute the stigma against business among the ancient philosophers to the fact that they lived in agrarian societies. Merchants were looked down upon in such societies as middlemen who merely moved around goods that others had produced. With land then being the principal asset, the necessity of defending and conquering it translated to a higher ranking of the martial virtues in the agrarian table of values. Even if amid the political turbulence of the time oligarchies and dictatorship would periodically displace the democracies of the ancient Greek city states, the latter type of regime exerted enough of an influence over people's minds to render suspicious any line of work that hindered an active participation in public affairs. Unlike the representative democracies of our day, the republics of the ancient world demanded a more politically engaged citizenry. This, in turn, required a degree of leisure that wealthy landowners could readily afford, but which merchants and artisans could not. Accordingly, the life devoted to matters of state, and all the virtues associated with that, was accorded higher esteem than the life devoted to money-making. The ancient philosophers, not being especially popular (as the fate of Socrates attests), did have to show respect for the moral code of the ruling elites (Melzer 2014). Even so, they did not put the virtue of courage on a pedestal and nor did they lend their unqualified support to the political life. To cite only the most prominent examples, Plato and Aristotle both concluded that the best life consisted in philosophizing. This suggests that when they questioned the morality of commercial pursuits, the ancients cannot properly be interpreted as giving theoretical voice to the prevailing *Weltanschauung*, or to the exigencies of the politico-economic order. They sought to give a verdict that anyone, regardless of time and place, could rationally accept.

This becomes clear once it is understood how the ancients framed their moral reflections under the lens of the *summum bonum*. Denoting the greatest good, that expression stands for whatever conduces to the utmost fulfillment of human beings given their nature and potentiality. Aristotle offers the paradigmatic account of this approach in his *Nicomachean Ethics*, where he maintains that figuring out what we ought to do is a matter of following the logic of our actions. Since everything we do is for the sake of something, and that in turn for something else, eventually as we progressively run through the purposes of our actions, we arrive at a goal that we pursue for its own sake—to wit, happiness. Ethics, then, is nothing else but the set of behavioural requisites for attaining a good life. Securing this entails that the appropriate mode of conduct become ingrained as a habit—that is, it must define a person's character. Aristotle, to be sure, was not the only one with a conception of what the good life meant. In the ancient philosophic scene, the Aristotelian view was chiefly opposed by the Epicureans and the Stoics. The Epicureans held that the *summum bonum* is to be found in pleasure, whereas the Stoics contended that it consists of virtue. Aristotle's compromise position—that happiness is essentially coterminous with virtue but also requires pleasure—proved the most influential in both the ancient and medieval traditions. Thus Cicero (1991 [44BC]), among Rome's most renowned statesman yet also its greatest philosopher, ended up adopting that middle stance in his moral teaching, most notably in his *De Officiis* (On the Duties). So, too, did St Thomas Aquinas (1920 [1265–1274]), whose voluminous writings grounded the thinking of the scholastics right through to the dawn of modernity in the seventeenth century.

By assigning pleasure a more auxiliary function as compared with virtue in the equation of human happiness, Aristotle passed on to his philosophic descendants a rather circumscribed tolerance of business. Were pleasure the highest good, then business would stand a better chance of gaining moral approval, inasmuch as the money to be earned furnishes the wherewithal to obtain all sorts of delights. But if virtue is the way to happiness, the place of money in a good life can only be to provide the material foundations of moral action. This is precisely where Aristotle ends up in his moral analysis of commerce. He proceeds there, first, by stressing the character of money as a mere means to other goods. "As for the life of the money-maker," Aristotle (1982) writes, "clearly the good sought is not wealth, for wealth is instrumental and is sought for the sake of something else" (1096a: 6–7). Not being an end in itself, money cannot constitute the *summum bonum*. The great danger, Aristotle warns, that the businessperson faces is that of succumbing to the temptation of seeking wealth as an end in itself, for then one is on a treadmill that no definite amount of accumulated riches can stop. "The cause of this disposition in men," Aristotle (1982 [fourth century BC]) says, "is that they are zealous for [mere] living but not for living well" (1257b41–1258a1). Aristotle recognizes that individuals do not pursue money only in order to live, but also with a view to buying pleasures and gaining honor, or what we nowadays refer to as status. Though happiness surely cannot be had without some measure of pleasure, we must choose between the different kinds of pleasure, which points to a good above pleasure. As for honor or status, which is the desire to be thought well of by our peers, that serves only to mentally enslave us to others. True fulfillment, Aristotle observes, must come from something more within our control, something like the satisfaction that comes from excelling in our actions, or realizing our highest possibilities as human beings. In other words, to live blissfully one must live virtuously.

What does this entail exactly? Aristotle's answer has already been signaled in noting his view that the *summum bonum* is to engage in philosophic reflection. This looks to have little to do with business until one recognizes the vision of human nature underlying it. Aristotle believes that the quality in which we human beings peculiarly excel is our rationality. It is what most distinguishes us from the animals; it is the source of the comparative advantage we have as a species (Aristotle 1982: 1097b22–1098a20). For Aristotle, therefore, virtue consists in nothing else than the exercise of reason in our actions.

There are two ways this can be done: by grasping the truth with our rational faculties, and by employing those faculties to regulate our desires and emotions. The first way comprises the intellectual virtues, whereas the second makes up the moral virtues. Even though Aristotle holds that the philosopher most fully realizes those qualities, this does not exclude people in other walks of life from exemplifying these traits, including businesspersons. Most applicable to these persons in Aristotle's catalog of the virtues would be prudence to make good decisions; self-control to regulate sensual impulses; courage to take reasonable risks; generosity to avoid an excessive attachment to money; sociability to be agreeable with colleagues and customers; and justice to transact fairly with others and give them what they deserve (Bragues 2006). Insofar as a virtue does not refer to a specific deed but rather to a habit, all of these traits come together to form an admirable character, someone for whom doing the right thing in light of the circumstances at hand comes as second nature. As a result, Aristotle's contribution to business ethics consists, not in providing a criterion to evaluate particular acts, but in putting the focus on the sorts of people we wish to see working in the economy.

Before this core idea made its way to us, however, it underwent significant modification. Cicero drew Aristotle's definition of happiness, as virtue accompanied by pleasure, into a life that encompasses what he called the honorable and the beneficial. In doing so, the Roman thinker brought a more lenient take on acquisitiveness, sanctioning the quest for riches so long as it does not jeopardize one's reputation or involve the perpetration of injustice. "Such expansion," he says, "of one's personal wealth as harms no one is not, of course, to be disparaged" (Cicero 1991 [44BC]: I.25). Cicero still found it demeaning for an individual to run a small business, but he thought leading an enterprise on a larger and more international scale to be respectable (I.151). In distinguishing between the honorable and the beneficial, Cicero also foreshadowed the tension that business ethicists nowadays are compelled to wrestle with between the moral and the profitable—the recurrent question of whether one can do well in business by doing good. To resolve that tension, Cicero examined a situation in which an exporter who has just arrived at Rhodes is faced with the question of whether to take advantage of the high price there for his corn or to disclose his knowledge that other merchants are on their way from Alexandria with similar produce (III, 50–53). Cicero explored a few other scenarios of this type, thus providing the first instance in Western philosophy in which attention is given to specific dilemmas in business ethics.

A more momentous development, no doubt, would come about with the subsequent emergence of Christianity in the Roman Empire. Initially, this represented a moral step back for business, inasmuch as the New Testament established the *summum bonum* in the next life, while memorably comparing the odds of a rich person getting into heaven as being worse than that of a camel going through the eye of a needle (Matthew 19:24). But once Aristotle's writings, which had mostly been lost, suddenly reappeared in the West during the 12th–13th centuries after having been preserved by Islamic scholars, the stage was set for an ascent in the moral status of business. To be sure, the integration of Aristotle into the Christian architectonic that was carried out by St Thomas Aquinas still conceived business as under a firm moral grip. Aside from reiterating Aristotle's condemnation of usury (i.e., lending on interest)—mainly on the argument that money cannot reproduce itself and that time is not something that can be bought or sold—Aquinas interpreted the latter's discussion of reciprocity in the exchange of goods as a theory of just price. According to this theory, it is not ethically licit for individuals and firms to charge whatever buyers are willing to pay, the right price being that which reflects the equality in value of the goods being exchanged (Aquinas 1920 [1265–1274]: II.II.77, A1). Qualifying this morally confining view, though, is the fact that Aquinas is notably less reluctant than Aristotle was in endorsing the admissibility of seeking profit in business, at least where that serves a virtuous purpose: "a man may intend the moderate gain which he seeks to acquire by trading for the upkeep of his household, or for the assistance of the needy: or again, a man may take to trade for some public advantage" (II.II.77, A4).

The Late Scholastic philosophers of the 14th–15th centuries—whose leading lights included Juan de Mariana, Luis de Molina and Francisco de Vitoria—would build on this more tolerant side of Aquinas. A notable example of this is how they construed the equality in exchange proviso of just price theory to mean the market price that buyers and sellers arrive at without coercion or fraud (Chafuen 2003: 82–92). In providing a robust ethical case against debasements of the currency, thus offering a sharp contrast to the technocratic approach surrounding monetary policy today, the Late Scholastics also defended the bedrock of a thriving commercial society, namely sound money (Oresme 1956 [1279]). Yet it must be admitted that in their rich and sympathetic analyses of commerce, unfortunately neglected for the most part in our day, the Late Scholastics did not go so far as to reverse the Aristotelian-Thomist stricture on usury. Still, they did chip away at it by glimpsing the pivotal point that a certain amount of money now is worth more than that same amount in the future (Chafuen 2003: 122–125). The complete repudiation in the Western philosophic corpus of the prohibition against the charging of interest had to await the 1787 publication of Jeremy Bentham's *Defense of Usury*.

Though representing the minority of business ethicists, significant contributions have been made to the discipline through the adaptation of ancient teachings. Overwhelmingly this has been sought by taking up Aristotle's emphasis on character, in what is typically called the virtue-ethics approach to business ethics. Certainly, a major figure in that movement has been Robert Solomon (1992), whose *Ethics and Excellence: Co-Operation and Integrity in Business* ignited a third way in business ethics between the reigning utilitarian and deontological methods. Edwin Hartman has followed in this third way with his *Virtues in Business: Conversations with Aristotle* (2013), while the list of scholarly articles with a virtue-ethics angle has continued to mushroom (Koehn 1995; Arjoon 2000; Moore 2005). Conspicuous by its absence in much of this literature, though, is Aristotle's conception of the good life as the cultivation of reason, or indeed any substitute for it. That has compounded the difficulty of settling upon the set of virtues that make up the character of the model businessperson. Amartya Sen (1999) and Martha Nussbaum (2011) have advanced the thesis that individuals should be afforded certain capabilities of obtaining happiness, which admittedly gets us closer to a list of the business virtues (Bertland 2009). Still, one cannot specify the means (capabilities) without first understanding the nature of the end (happiness).

With respect to the medieval thinkers, their impact on contemporary business ethics has been noticeably more limited than that of Aristotle. Partly this is owing to the pronounced secularism of the academy; and partly to the widespread belief that, just as the state ought to be separate from religion, so too must the company. What influence that Aquinas and the rest of the Scholastics have exercised has primarily reflected the applications to business of Alasdair MacIntyre's (1984) *After Virtue*, along with the body of accumulated politico-economic and moral reflections promulgated by the Catholic Church since 1891 known as Catholic Social Thought (Pontifical Council for Justice and Peace 2004).

The modern approval of business

Whether one understands it as the outcome of an evolution or as a sudden rupture with ancient and medieval thought, what cannot be doubted is that the corpus of modern philosophy presents us with a decidedly altered moral tone about business. Given the magnitude of the change, it is not surprising that it proved a tempestuous affair at the outset, with defenders of the old order decrying advocates of the new as radicals intent on overthrowing the cause of virtue. That was certainly the case with two crucial figures at the beginnings of modernity, Niccolò Machiavelli (1947 [1513]) and Bernard Mandeville (1924 [1732]). The first, the Italian Renaissance politician and writer famous for authoring *The Prince*, is not unknown to business ethicists, even if he is not generally regarded by them as any sort of appropriate moral guide. Interestingly enough, this assessment runs counter to the trend in the popular management literature, in which the handing down of Machiavellian lessons to business has become something of a cottage industry (Galie and Bopst 2006). Within the academic literature of business as a whole, Machiavelli's reputed advice is referred to most prominently in the field of organizational behavior, where individuals willing to adopt any unscrupulous means necessary to realize their particular ends is referred to as a Machiavellian personality. More quasi-scientifically, such people are known as

High-Mach types. These are identified through a variety of Likert scale personality assessments meant to single out individuals driven by a ruthless egotism (Gunnthorsdottir, McCabe and Smith 2002). With this measure, researchers can explore correlations between Machiavellianism and other personal characteristics as well as occupational status and job performance (Azia, May and Crotts 2002).

Only to the extent that Machiavelli is interpreted as arguing that politics is a separate realm from ethics with its own rules can it be said that the Florentine thinker has been taken up within business ethics. What comes to mind here is Albert Z. Carr's (1968) defense of bluffing, which features the analogous contention that business has its own rules distinct from those of private life. By contrast, that other controversial figure alongside Machiavelli at the ground floor of modernity, Bernard Mandeville, has been almost forgotten. With few exceptions, the eighteenth-century Dutch-Anglo philosopher figures nebulously at best in present-day business ethics as the one who first alluded to what Adam Smith would later call the invisible hand. Mandeville did so in the sub-title to his book *The Fable of the Bees*—which was *Private Vices, Publick Benefits*.

Their limited influence notwithstanding, Machiavelli and Mandeville both enable us to understand what really transpired intellectually to raise the moral standing of business. An important clue is given in the sub-title of Mandeville's book. It suggests that what had been called vice had to henceforth be seen as socially useful and that, by implication, what had been called virtue had to henceforth be seen as socially useless. By virtue here what Mandeville (1924 [1732]: 48–49) means is conduct in which a person subdues his or her selfish impulses, either to assist others or to obey the dictates of reason. Vice, on the other hand, is defined as conduct in which a person indulges selfishness. To Mandeville, what essentially distinguishes virtue from vice is the exercise of self-control. Though this dividing line might appear overstated and bordering upon the puritanical, he was right to pinpoint that morality had historically demanded an inner struggle against egoism. This was, to be sure, more pronounced in the medieval-Christian variant of that tradition, according to which the giving of self is the way to eternal bliss with God. Still, even among the ancient philosophers—who after all can be read as advocating a high-minded egoism by so closely tying virtue to personal fulfillment—individuals were called upon to resist the more common expressions of selfishness, whether in the seeking of pleasure, status, or wealth. What Mandeville (1924 [1732]: 35) perceived was that it is precisely these ordinary drives that conduce to economic prosperity, whereas self-denial ultimately leads to a deadly penury. Similarly in Machiavelli (1947 [1513]), who advised princes to respect private property and encourage commercial activity, we see the charge that the ancient medieval ideal is dangerously impractical: "he who studies what ought to be done rather than what is done will learn the way to his downfall" (44). By such criticisms, Machiavelli and Mandeville both hinted at the necessity of a transvaluation of values. Virtue had to cease being a means towards our natural flourishing as rational beings or our prospective communion with God. Instead, virtue had to become the instrument for worldly enjoyment and success. Selfishness, in all but its most nefarious forms, had to be made respectable.

The various systems of morality bequeathed to us by the modern philosophers are best seen as so many attempts to do just that. Three tasks were undertaken to this end. First, the ancient mission to define the *summum bonum* for human beings was abandoned, replaced by the view that no end exists to which all actions can be ordered to consummate our desires. Thomas Hobbes, the seventeenth-century British philosopher, set the tone: "For there is no such *Finis ultimus* (utmost ayme), nor *Summum bonum* (greatest good) as is spoken of in the Books of the old Morall Philosophers . . . Felicity is a continual progresse of the desire, from one object to another" (Hobbes 1985 [1651]: 160). Ends thus became relative and moral analysis turned its sights to where it largely remains today, including in business ethics—that is, with the question of how to regulate the means that individuals may choose towards their subjectively defined ends. Second, God had to be removed from the supporting structure of morality. Though some at the time expressed the atheist hope of accomplishing this through the complete secularization of society, the principal strategy that the modern philosophers adopted was toleration. To avoid social conflict over religious doctrine, the state was enjoined to be neutral and to respect the individual's right to privately practice his or her faith. The upshot was that moral arguments that impinged on public matters now had to be framed in terms that all persons, whatever their opinions on religion, could in principle accept. And third, some way had to be found to derive a set of moral obligations out of the confines of the self. With Hobbes, that which necessarily propels the self, to wit the desires that the self cannot help but endeavor to satisfy, became the source of a right to self-preservation. To more effectively satisfy this right, he argued, individuals give up the prerogative to promote their survival in any manner they deem fitting and agree to be bound by a social contract. For Hobbes, morality is identical to the terms of this contract. John Locke (1960 [1689]), the seventeenth-century British thinker often identified as America's philosophical inspiration, further developed this theory of the social contract, crucially modifying it by asserting a natural right to property.

Locke's defense of property rights is grounded on the claim that each of us owns one's self. Nobody is born to belong to another person. At the same time, however, Locke acknowledges that the earth and all its resources originally belonged to all human beings. So how does he go from ownership of the self to ownership of things? By mixing their labor with the world, Locke maintains that individuals acquire property rights to the bits of the world they work upon. Two conditions govern this process: the first is that no else already has established ownership over the resources appropriated; the second is that enough be left over for others to use. Not only does this second rule bar the monopolization of the earth, it prohibits the ownership of anything that would go to waste in one's possession. Implicit here is the claim that scarcity is a brute fact of the human condition. Describing the plight of being human, Locke speaks of "the penury of his condition" which in turn forces him "to subdue the earth" in order to live (Locke,1960 [1689]: 332). Given these circumstances, to spoil something that is scarce is equivalent to taking something away from others that they could use. This spoilage proviso, Locke argues, was overcome with the introduction of money. Money does not spoil. Because of that, people are free to accumulate as much money as they want. And because those who pursue money harness the earth's materials to create a wealthier society, even those who lack property end up better off than they would be if no one were allowed to own things. Referring to pre-Columbian America, Locke observes: "a King of a large fruitful Territory there feeds, lodges, and is clad worse than a day Laborer in England" (Locke 1960 [1689]: 339). Thus, a natural right to property becomes a natural right to accumulate property without limit on the argument that its exercise in a monetary economy is consistent with the common good. No moral postulate has been more important historically than that of the right to property in providing an ethical sanction of business.

The exception to this, perhaps, is Adam Smith's invisible hand. Mandeville's adumbration of this has already been mentioned, but what Smith did was eliminate the paradox of maintaining that vicious acts produce social benefits. What Mandeville called vice, Smith (1981 [1776]: 540) referred to as, "the natural effort of every individual to better his own condition," an entirely commendable undertaking if pursued within the bounds of prudence and justice. Any individuals hoping to increase their fortunes through trade must do so by providing goods and services in exchange for which others are willing to pay. As this means an individual cannot prosper in the marketplace other than by attending to the wants of others, Smith holds that self-interest redounds to the public good even though no one consciously intends it. Indeed, Smith takes this claim further, insisting that the businessperson who does consciously intend the public good will likely fail to realize it. "I have never known much good done by those who affected to trade for the public good" (Smith 1981 [1776]: 456). Very few are the business ethicists that agree with this statement, defying as it does the precept of corporate social responsibility (or CSR) that normatively frames their discipline. Illustrating this is the critical stance that has overwhelmingly been taken against Milton Friedman's (1970) famous reprisal of Smith's argument in a *New York Times Magazine* essay entitled "The Social Responsibility of Business Is to Increase Its Profits." Thanks to the increasing recognition of corporate social responsibility in corporate law and among companies, the almost ritualistic practice has abated of highlighting Friedman's piece for attack as a prefatory to the study of business ethics. Of late, the more prevalent tack of addressing the challenge posed by Adam Smith has involved co-opting him by emphasizing the ethical dimension of his thought, manifest in *The Theory of Moral Sentiments* (Rothschild 2001). One way or another, business ethics has felt compelled to defuse the possibility of using Smith's authority to challenge the idea that managers ought to be socially conscious.

The modern philosophical movement subsequently produced two methods of analyzing moral dilemmas that have proven far more congenial to business ethicists. When first introduced, however, those were not put to the task of subordinating the quest for profit to the deliberate pursuit of social goals. Nowhere was this more evident than utilitarianism, a moral theory with roots as far back as the Epicureans of the ancient world and with its basic outlines having been suggested by the eighteenth-century Scottish philosophers, Frances Hutcheson (1738: 107–128) and David Hume (1957 [1751]: 40–58). But it was Jeremy Bentham who originally systematized utilitarianism in *An Introduction to the Principles of Morals and Legislation*. Starting from the premise that human beings live, "under the governance of two sovereign masters, *pain* and *pleasure*," Bentham infers that morality embraces those actions that, on balance, tend to bring about pleasure, whereas immorality embraces those actions that, on balance, tend to bring about pain (1948 [1789]: 1). Pleasures and pains are, in turn, subject to quantitative measurement by their intensity, duration, certainty, and proximity in time. Thus a given pleasure is greater to the extent that it is earlier, more intense, longer-lasting, and has a higher probability of occurring—and vice versa in the case of pain. Despite the hedonistic psychology, utilitarianism is not an egoistic ethic. While acknowledging that it is only our own pleasure and pain that we feel, Bentham maintained that individuals can feel the pleasure and pain of others as their own (1948 [1789]: 36 and 40). This affords Bentham the basis to pronounce that utility, defined as the quantity of pleasure, ought to be maximized among all persons comprising the group affected by an action, whether executed by an individual or an organization (1948 [1789]: 2–3). With the emergence of utilitarianism, therefore, the first seeds of doubt were planted against the modern philosophic effort to accept and harness selfishness for social purposes, even if Bentham and his early followers were all avid believers in Smith's invisible hand. Those seeds would sow demands for the substitution of more altruistic motives in economic life, demands that would subsequently become a core part of business ethics, as we shall see.

A more direct reproof of self-interest arose with Immanuel Kant. In this effort, the eighteenth-century German philosopher still kept to the modern philosophic strategy of looking to the self as the ground of morality; however, rather than honing in on the implications of our psychological propensities, Kant focused on our autonomy. Any ethic guided by our desires—whether for happiness, self-preservation, or pleasure—he categorized as heteronomous, that is, as a condition in which human beings are subject to a law outside themselves. If the self is to be autonomous, it has to follow a law it enacts for itself. This law must be universal, being meant for rational beings and to reflect the basic intuition that the rules of morality apply to everyone without exception. Kant's solution to this is the categorical imperative: "never act except in such a way that I can also will that my maxim should become a universal law" (Kant 1981 [1785]: 14). In thus envisioning what would happen if everyone else were allowed to perform a given act, Kant is not asking for an assessment of the consequences to all those that might be affected. Such a rule-utilitarianism is ruled out by Kant's aversion to a heteronomous ethics. What the universalization test is meant to check is whether any contradiction exists in generalizing the permissibility of an action. Suppose a man desperate for money obtains a loan while knowingly making a pledge of repayment that he will not keep. The moral turpitude of this conduct lies in this: if everyone could issue false promises, it would no longer make any sense to make promises as no one would accept them. Counterfeit promises, that is, cannot co-exist with the practice of issuing promises. Despite this and other illustrations, however, Kant left it notoriously unclear how a contradiction is supposed to be deciphered with the universalization formula.

Not surprisingly, then, another version of his categorical imperative has ended up gaining wider currency: "Act in such a way that you treat Humanity, whether in your own person or in the person of another, always at the same time as an end and never simply as a means" (Kant 1981 [1785]: 36). Kant was willing to tolerate self-interest in commerce, believing that it was part of a progressive historical process that would hopefully culminate in a world society characterized by a perpetual peace within which all persons are treated with dignity as ends in themselves (1983 [1795]: 37 and 124–125). Albeit less willing to tolerate self-interest than Kant, a good deal of business ethics today can be comprehended as an effort to realize an economy in which people are no longer solely used as means for the purposes of others.

The late modern attack on business

Before saying more about this Kantian legacy, as well as on some of the uses of utilitarianism made by business ethicists, it will be necessary to give a brief summary of the third philosophic chapter in the moral story of business. The importance of this phase is that it had to be overcome in order for business ethics to develop. For it is no coincidence that the subject did not originate until the 1960s and 1970s, precisely when the hold of Karl Marx on Western intellectuals began to fade. And, let there be no doubt, the nineteenth-century German philosopher and economist was the towering figure of the third chapter in our story. Yet he was not alone. Not to be forgotten is Jean-Jacques Rousseau, who launched the first all-out assault on modern philosophy's commendation of business, framing the moral vision and agenda that Marx later endeavored to systematize with the tools of classical economics. But if Marx had to be transcended, business ethics could, and indeed has, imbibed key elements of Rousseau's thought.

The eighteenth-century French philosopher's critique of modernity is most famously set forth in the *Discourse on the Origin and Foundations of Inequality*. He begins by adopting the same line of attack employed by other modern philosophers, taking his initial bearings from the self. He contends, though, that its true nature was distorted by previous thinkers: "All of them . . . speaking continually of need, avarice, oppression, desires, and pride, have carried over to the state of nature ideas they had acquired in society" (Rousseau 1964 [1754]: 102). With Hobbes and Locke among the presumed targets, Rousseau's charge is that philosophers did not go far enough in removing all the traits that human beings had absorbed through socialization and in stripping us down to what nature gave us. Once this is done, he maintains, human nature comes into view not as acquisitive and antagonistic, but as good and compassionate. Hence, the greed, vanity, and lust for power that pervades the human scene are due to the influence of society. Of all the social institutions that have shaped individuals throughout history, none has been more damaging, according to Rousseau, than private property: "What crimes, wars, murders, what miseries and horrors would the human race have been spared," he asks, if someone had stopped the first person from saying, "this is mine" (Rousseau 1964 [1754]: 141). This condemnation of private property as the source of human ills, beyond ending up as the fulcrum of Marxism, is tied to a suspicion of economic progress (not present in Marx) along with the nostalgia for a return to nature that has rightly been interpreted as the beginnings of environmentalism (LaFreniere 1990). Before Rousseau, one is hard pressed to find a philosopher who extolled nature in its uncultivated state to the extent that he did. Locke, for example, advocated the conquest of nature, observing that it, "furnished only the almost worthless Materials, as in themselves" (1960 [1689]: 340). By way of the environmentalist movement, Rousseau's spirit makes itself felt in business ethics today in the near-universal edict that corporations promote sustainability.

The main lineaments of Marx's theory are well known. So all that need be said here is that when private property was introduced, societies were divided into classes based on the ownership of the means of production. In capitalist societies, Marx claims, that class division is between those who own capital and those who do not; the first consist of the capitalists who earn profit and the second of the workers who, not having any other means of generating income, are forced to sell their labor to earn wages. Relying on Smith's and David Ricardo's labor theory of value, Marx held that the price any good commanded on the marketplace was due to the effort put into its production by workers. What this means is that the profit that the capitalist extracts out of that price is taken from the value created by the worker. In this way, capitalists exploit the working classes. Nothing can eliminate this injustice other than the overthrow of capitalism, for no matter how much it might be reformed, the oppression of labor is engrained into that system's drive for profit. However, because this regime is unsustainable, Marx held out the prospect that the forces of historical progress are inevitably leading to the end of capitalism, the elimination of private property, and the consequent realization of a classless society in which, "the free development of each is the condition for the free development of all" (1978 [1848]: 491).

Now, this being said, it is clear why business ethics had to await the fall of Marxist modes of thinking for it to develop as a discipline. On the Marxist view, after all, the task of the intellectual is to advance the revolution that history portends, whereas much of what transpires in business ethics is the giving of advice to capitalists—tantamount to consorting with the enemy. Moreover, ethical concepts are understood by Marx to be part of the cultural superstructure of society, a set of ideas whose function is merely to rationalize the underlying economic structure. That raises the question: why engage in moral analysis when the real action is taking place in the economic realm? Then, too, there is the fact that Marx paints a determinist picture of economic life whereby capitalists are trapped within a system in which they can do little else but take advantage of workers. Business ethics seeks to improve the conduct of firms as well as the individuals who work inside them. But there is little point in doing so if all the main players lack the freedom to mend their ways. No wonder that the recently published *Handbook of the Philosophical Foundations of Business Ethics* (Luetge 2013) contains only one article on Marxist business ethics.

It would be an exaggeration to say, however, that Marx has exercised no influence whatsoever on business ethics. His contention that employers have an inherent advantage over employees—inasmuch as the latter usually have fewer alternatives of contracting for work than the former do—is widely accepted by business ethicists. Witness their general opposition to the principle of employment-at-will and their support of measures, such as just-cause termination along with the right of workers to form unions and strike, which constrain the ability of employers to negotiate the hiring, pay and working conditions of their employees. In what he calls "radical business ethics," Richard L. Lippke (1995) appeals to the Marxian analysis of the capital-labor relationship to argue that advanced capitalist societies severely inhibit the realization of human autonomy. Not only does he allege that autonomy is hindered by the economic compulsion that the system exerts upon workers, Lippke also maintains that people's capacity to think for themselves is distorted by advertising and the concentration of ownership in media industries. While Lippke does not advocate the abolition of capitalism, he does stress the need for major structural changes, the institutionalization of worker participation in companies for example, which he thinks goes beyond what the general run of business ethicists are prepared to contemplate. Yet it would be a mistake to see only the influence of Marx at work here. Rousseau's shadow arguably protrudes even larger, for he is the one who introduced the ideal of autonomy into the Western intellectual aether. He, too, was the first to object that modern commercial societies undermine human autonomy—economically, by rendering everyone dependent on others through the division of labor; and psychologically, by inducing everyone to judge themselves based on what others think of them (Rousseau 1964 [1754]: 156).

The philosophic epoch of business ethics

Thus we arrive at the last epoch, during which business ethics has materialized into a burgeoning specialty. What is distinctive about the current era is that no philosopher, or even school of thought, can be identified whose ideas are predominantly etched into the contours of the field. No equivalent of an Aristotle, a Smith, or a Marx appears before us that directs, encapsulates, and lends substance to our epoch's moral approach to business. Instead what we have is a *zeitgeist* informed by various thinkers, an intellectual milieu conducing to a middle way between the modern praise of business and the late modern assailing of it. This middle way, an acceptance of business under substantial moral constraints enforced by regulations, not untypically features the appeal to earlier philosophic traditions to define those conditions—yet almost always a selective appeal.

A key turning point in this direction was John Stuart Mill. The nineteenth-century British philosopher and economist began his career firmly within the utilitarian camp founded by Jeremy Bentham that believed self-interest could be chiefly relied upon to promote the common good. But Mill (1994 [1871]: 324–357) ended his intellectual odyssey by arguing for the legitimacy of state intervention in those situations where individuals cannot be expected to understand their own interests correctly or be able to pursue them in voluntary concert with others. Indeed, he came to expect that the public would, over time, develop intellectually and morally to the point where businesses could all function successfully as worker-owned cooperatives (Mill 1994 [1871]: 147–156). With this, the adequacy of self-interest was undercut, but without the implication of a state-run socialism to supplant it. The operation of self-interest in business could be tutored and crafted into something more ethically elevated, without following the Marxist prescription.

Fortuitously enough, that prescription happened to lose credit around the time that John Rawls' *A Theory of Justice* was published in 1971. Prior to this, the influence of logical positivism among Anglo-American academics, with its contention that moral propositions can never be anything more than subjective beliefs, stifled the evolution of moral and political philosophy. Rawls single-handedly changed all that, not only reviving those subjects, but further pushing the gates that had been opened by the eclipse of Marx for the emergence of specialized fields of moral inquiry such as business ethics. One need only consider Rawls' teaching on justice—to wit, that inequalities in the distribution of resources are fair only if they work to the interests of less advantaged groups. This lent credence to the notion that business could find a licit place within a legitimate socio-economic system. Still, Rawls' philosophy—which comes closest in our time to playing the roles previously held by the works of Aristotle, Smith, and Marx—left the distinct impression that business is supposed to function in an environment in which self-interest and the pursuit of gain must bow down before the greater social imperative of treating everyone with equal concern and respect. In reaching his conclusions, Rawls combined utilitarianism, social contract theory, along with Kantian principles of human dignity. He argued that, of all the possible options, the allocation of goods that maximizes the welfare of the less advantaged is the one that persons would choose behind a veil of ignorance not knowing the social and natural assets that luck will assign them.

A similar attempt to marry time-tested philosophic theories is to be found in the central tenet of contemporary business ethics: the stakeholder theory of the firm. More popularly known under the banner of Corporate Social Responsibility (CSR), the stakeholder view aims to displace the shareholder theory of the firm that has long comprised the orthodoxy in economics and finance and which, until recently, was legally entrenched (*Dodge* v. *Ford* 1919). The shareholder theory envisions the firm as a nexus of individual contractors within which the highest duty of corporate managers is to the shareholders, the equity owners of the firm. By contrast, the stakeholder theory sees the firm as a legal privilege conditionally granted by the state, while asserting that corporate managers are ultimately obligated to conciliate the interests of multiple parties, namely all those affected by the firm's actions, the stakeholders. These include customers, employees, creditors, suppliers, governments, local communities, in addition to shareholders. In R. Edward Freeman's (2002) influential defense of the stakeholder theory, utilitarian arguments are employed to demonstrate that profit-maximizing for shareholders will not redound to the public interest owing to the presence of externalities and industry concentration. When there are externalities—which occur whenever the costs and benefits generated by an economic activity are felt by those not engaged in it—then the self-interest of companies will lead either to the underproduction of goods (when the benefits are externalized) or the overproduction of bads (when the costs are externalized), with pollution the standard instance of the latter. When industry concentration exists, whether in the form of oligopoly or monopoly, then self-interest will dictate that companies overcharge consumers for goods and produce less of them than is socially optimal. To overcome these dilemmas posed by externalities and industry concentration, stakeholder theory holds that firms must adopt a more socially conscious perspective in order to boost communal utility. Beyond this emendation of Bentham, the stakeholder theory also invokes Kant's maxim that everyone's ends be respected. It does so by raising all other agents affected by the firm to an equal status with the shareholders. When Freeman (2002: 414) objects against "the presumption in favor of financier rights," he insinuates that the traditional view lets shareholders use everyone else involved as mere means for their own purposes.

Bringing the idea of a social contract to bear as well, Freeman comes up with a corporate variation of the Rawlsian veil of ignorance. Individuals are conceived as being aware of the general facts of commercial life and the possibilities of market failures like externalities, but do not know what position vis-à-vis the firm they will end up occupying. Amongst the various alternative ways of organizing the firm, Freeman maintains that individuals, in order to hedge against the prospect of losing out by not becoming shareholders, would rationally opt for the stakeholder theory. The social contract tradition has also been summoned in business ethics by Thomas Donaldson and Thomas W. Dunfee (1994). Unlike Freeman, however, they envision two separate compacts, one macrosocial and the other microsocial, with the first providing the overarching norms for those that can be agreed to in the second. Another difference with Freeman is that what Donaldson and Dunfee call "integrative social contract theory" is put forward more as a technique for business ethicists to use as they deem theoretically fit, than it is to infer their own detailed set of ethical obligations for companies, even if they do make various suggestions that lean in the direction of corporate social responsibility.

Regrettably, in all this harnessing of time-tested ideas from the past, business ethicists show few signs of having gone beyond the level of general concepts. They have not yet come to grips with the complete scope of arguments that the philosophers marshalled to support their positions. Thus, for Hobbes and Locke, the obligatory force of the social contract, upon original consent to its terms, derives from the fact that it is generally in everyone's interests to continue to abide by it. This is why Locke (1960 [1689]: 460–470) argues that people reserve the prerogative to revolt if the state violates their rights, the preservation of the social contract no longer being in their interests; it is also why Hobbes (1985 [1651]: 199), though he denies a right of rebellion, nevertheless asserts that a person facing capital punishment has the right to evade the state's enforcement of that penalty, the social contract having been originally entered into to avoid death. Applying this reasoning to stakeholder theory, it is difficult to see why any rational shareholder would persist in agreeing, irrespective of whatever they initially signed up for under a veil of ignorance, to an arrangement in which management is not primarily obligated to them to maximize profits. As the last ones to be paid out of revenues, and therefore the bearers of the greatest risk among the firm's claimants, shareholders cannot ask for anything less than profit maximization if they hope to motivate corporate executives to generate a return on their investment. The solicitation of Kant by business ethicists is similarly remiss about his treatment of human dignity. It entirely neglects his insistence that treating people as ends-in-themselves entails that their property rights be respected almost absolutely, the chief limit being taxes to support the state and the poor. Such a conception of property rights is hard to square with the notion that shareholders ought to sacrifice profit for larger social goals (Kant 1991 [1797]: 136–137). Only with utilitarianism have business ethicists paid some heed to its original philosophic exponents. Even there, Mill's psychological assumption that individuals will become more socially minded as humanity progresses has been too uncritically accepted. Other thinkers sympathetic to utilitarianism, such as David Hume, had more modest expectations of human altruism but such views have received short shrift. These are just a few examples indicating that business ethicists have yet to thoroughly engage with the historical contributions to their field.

Concluding remarks

Despite not fully mining that legacy, business ethics shows all the marks of being influenced by the great philosophers. Veering from the celebration of commerce at one extreme to its condemnation at the other, and with qualified acceptance in between, what the philosophic tradition has to say about business ethics can be organized into four historical phases. In the first period, comprising the ancient and medieval thinkers, we see the initial clash between philosophy and business, albeit with this tension getting progressively eased as the Renaissance draws closer. This tension largely disappears in the second period encompassing the 17th to 18th centuries, during which early modern philosophers like John Locke, Adam Smith, Immanuel Kant, and Jeremy Bentham give moral sanction to commerce and establish the theoretical underpinnings for much of contemporary business ethics. Afterwards, we witness two distinct reactions to this philosophic alliance with commerce. Thus in the third period, beginning in the mid-eighteenth century with Jean-Jacques Rousseau and coming to fruition in the nineteenth century with Karl Marx, commerce is forcefully challenged. As for the fourth period, with its seeds sowed in the writings of the late John Stuart Mill in the nineteenth century and its latest manifestation in the figure of John Rawls, this tradition responds less radically to the consolidation of commercial societies. It does so by accepting the basic legitimacy of business, while simultaneously insisting upon the necessity of taming it with an array of political, economic, and moral checks. Business ethics belongs to this last phase, even if it looks to the first three for inspiration and guidance.

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3
Theory and method in business ethics

Nicholas Capaldi

What is the relationship between actual business practice and business ethics theorizing? How can or should business ethicists contribute to our understanding of business? These questions, which have been addressed insufficiently by business ethicists, manifest the aim of this chapter: to identify, clarify, and resolve some major tensions in what business ethicists do or think they are doing. The mainstream of business ethics, along with a smaller counterculture, reflects deeper disputes both within philosophy and about the nature of philosophy. It is essential to probe these disputes and to consider the intellectual frameworks that have guided much of contemporary business ethics.

There seems to be no universal agreement as to what business ethics *is* or on what business ethicists *should* do. This lack of agreement may reflect the fact that the field exhibits a fundamental ambiguity: Is business ethics descriptive or normative? Or is it some sort of combination (what I describe, below, as "exploration")? These questions yield still further clusters of queries.

1 Are scholars in business ethics trying to understand (descriptively) the norms inherent in extant business practice, or are they trying to judge (normatively) business practice from some external perspective, or are they focused on the practice of resolving ethical conflicts?
2 If they are engaged in describing the inherent norms of commerce, are they taking into account different historical and cultural contexts or do they have some abstract or generic version in mind? To what extent do business ethics scholars need to understand economics? Whose economics?
3 If business ethics scholars proceed along the normative route, are they identifying and critiquing those who fail to live up to standards (an internal critique) or are they challenging the inherent standards from some outside perspective (external critique)? Wouldn't this normative examination also presuppose some larger account of how commerce relates to other practices (Capaldi 2004)? Wouldn't a normative consideration have to privilege, at some point, either a particular practice or set of related practices (or the prioritization within practices), and wouldn't this raise the first and second issues—internal versus external critique—all over again at another level? Without the appeal to some privileged practices, one could not advance macro-level prescriptions as "business ethics."

4 Finally, if business ethicists are to be practitioners who advise or consult professionally to resolve ethical conflicts in business, they not only must address all three of the above issues, but also must have some understanding of what it means to be a practitioner (and in which specific dimensions of commerce). For example, a corporate business ethicist or consultant might be called upon (a) to identify and explain current extant norms, (b) to identify a conflict or potential conflict between the extant norm and some current form of commercial behavior, (c) to indicate why that norm does or does not apply to a particular case in hand, (d) to identify more than one applicable norm and how those norms might themselves be in conflict when applied to the case in hand, (e) to explain how similar cases in the past have been handled and the outcomes, and, of course, (f) to identify possible legal ramifications. Moreover, one would have to distinguish between a practitioner who approves of commerce as practiced and wants to make it work better (those who endow business ethics centers seem mostly to have this in mind) and someone who disapproves of commerce and thinks that the appropriate strategy is to goad students, workers, or professionals into some sort of reform (or rebellion), constructive or otherwise.

We shall approach these questions in the following ways. In the first section, we consider first the hostility to business that extends from intellectuals to business ethicists. The subsequent section takes up the philosophical background to this antipathy, canvassing the philosophical perspectives, from ancient to modern, that have framed this hostility. In so doing, we encounter something novel in the modern era: the appeal to expertise. In the third section, we examine the enlightened view of ethics and its tendency to both explain the world and to prioritize a view of ethics that demands the *exploration* of everyday conduct and practice. This idea of ethics has generated a new normative method in philosophy that includes applied fields such as business ethics. In the fourth section, we summarize how this normative method has yielded two broad narratives about society. However, as we point out in the last section, there is an alternative method that the business ethicist might employ and this we call *explication*.

Hostility to business and business ethics

With the opening questions in view, it is important to keep in mind that intellectuals maintain a long-standing opposition to commerce. This hostility extends from prominent members of the academy (see the discussions in Schumpeter 1975; de Jouvenel 1974; von Mises 2006; Nozick 1998) to scholars of business ethics. We cite as one example of this ingrained hostility a statement by George Brenkert, long-time editor of *Business Ethics Quarterly*, in an article on entrepreneurship:

> The argument for entrepreneurship and an entrepreneurial society is for a society in which some sub-set will provide leadership . . . the entrepreneurs will be the spark plugs, as it were, of this economy and society. Instead, then, of a Platonic society, which looked to its philosopher kings, our entrepreneurial society will look to its entrepreneur bosses.
>
> *(Brenkert 2002: 17; see also McDonald 2017)*

James Hoopes (2003) gives a broad but critical historical overview of the management literature of the twentieth century and documents the unwillingness of management gurus (e.g., Peter Drucker) to see profit as legitimate unless subordinated to another goal. Some anti-market advocates have wanted the US to be more like the European Union or Japan. Some other advocates maintain the corporation *should* be viewed as a social entity (Dodd 1932; Etzioni 1993; Clarkson 1995; Kuttner 1997). These advocates need not hold a specific ideology—or any ideology.

Some advocates of the stakeholder view of the firm may even operate under the assumption that they are *pro*-market (Donaldson and Preston 1995; Freeman and Phillips 2002). Yet these writers reject the notion that the chief object of business is to achieve a profitable product or service, and they insist that business, like other spheres of activity, must strive towards non-profit goals. In setting forth these assumptions they identify business ethics in terms of conflicts between profitability and other goals, demand that the problem be resolved through non-market structures (business should function less like business and more like political, religious or academic institutions), and then justify these appeals by drawing from disciplines other than economics.

Given this skepticism, if not outright hostility, to commerce, one might wonder why the field of business ethics exists at all? Despite a long history of ethical thought about commerce—even in business schools, as chronicled by Gabriel Abend (2013, 2014)—the idea of a self-conscious field of academic business ethics takes hold in the 1970s. (Biomedical ethics also emerges in this decade but its evolution reflects developments in medical technology, as set forth in Albert Jonsen 2003.) Prior to 1960, deliberation about ethical matters was left largely to centers of cultural authority operating independently of the academy: religion, the family, the professions, and other intermediate institutions. For many reasons, these traditional centers of authority became discredited. The intellectual movement of positivism along with the spectacular success of science and engineering contributed to their undermining. Even though positivism does not itself entail a specific account of morality, it does attenuate existing frameworks that do not measure up to the positivists' conception of what is rational (i.e., empirically verifiable). In addition, different religions offered different ethical responses. More to the point, starting in the 1960s every major religious denomination underwent its own internal revolt (e.g., Vatican II among Catholics). The overall direction of these revolts was towards liberalization and away from tradition, with regard to both theological and social issues.

Within universities there is historical opposition to including business education in the curriculum (Khurana 2007). Curiously, Alfred North Whitehead, who was a friend of Harvard Business School Dean Wallace Brett Donham, advocated the inclusion of a business faculty in the university in an address he gave in 1927 to the American Association of the Collegiate Schools of Business (Whitehead 1936). In 1936, Whitehead and Robert Maynard Hutchins debated this issue in the *Atlantic Monthly* (Whitehead 1936; Hutchins 1936). In opposition to Whitehead, Hutchins argued that the role of the university was to teach first principles, theory, and the unity of knowledge as opposed to facts and skills. Hutchins questioned whether business was even a profession, and he suggested that vocational practices should be taught on the job.

Business ethics[1] as a field within business schools originated in the 1960s at the University of California-Berkeley, where many in the "Business and Society" field were trained (see Epstein 1999 and Carroll 2008 on the importance of the 1960s). The early focus of business ethics centered on corporate social responsibility and social reform of the inequities of capitalism (Jones 1980). Members of Management departments initiated the Social Issues in Management division within the Academy of Management.

The financial scandals of the 1980s yielded a sudden demand for ethics training for business students. Philosophically trained business ethicists moved to tenured posts and even endowed chairs in business (Shaw 1996). As a consequence, the traditionally "hostile attitudes" of the university toward business (Shaw 1996: 490) were thus reinforced by the arrival of the philosophers. Business ethics was doubly conceived in sin, combining liberal Management scholarship with liberal Philosophy scholarship. Frequently, such scholarship employs a political model to "understand, assess, and perhaps modify the socioeconomic context . . . that frame[s] the moral choices that confront individuals" (Shaw 1996: 496), leading to critiques from a Marxist

(Lippke 1995) or from those who viewed the market as beset by immoral practices. Often the focus on corporate social responsibility is designed to affirm that firms should do more than maximize profits.

Currently, business ethics programs in American business schools reside mostly[2] in the Management discipline, with faculties drawn from two backgrounds: Philosophy and Management. The PhDs in Management reflect a social science methodology. This approach does not by itself reflect a normative management science—something that professionals could authoritatively teach business practitioners. In fact, the intellectual developments within philosophy have made the idea of normative management science tenable.

The philosophical background

Classical philosophy

The overriding perennial issue in normative philosophy is reconciling the individual with the community. The tendency among classical ethical views is to begin with an independently established ethical account and then measure actual practice against that ideal account: Plato alluded to the "Forms" and Aristotle claimed to have discovered a metaphysical teleological biology. The risk here is reducing philosophy to an ivory-tower exercise in ideology. However, classical philosophers could not locate commerce or trade within these external structures and so they had an inherent antipathy to the commercial practice of ancient times and would, I dare say, oppose it in its modern forms. Given his moral principles, it is not clear that Aristotle was justified in his antipathy (Miller 2017), and it may be the case that the outlooks of Plato and Aristotle, as typically understood, differed from the views of archaic writers, such as Homer and Hesiod (Peacock 2017).

Advocacy of an epistemological realism (truth as conformity of intellect to an external structure) leads to the classical and medieval conception that social structures should reflect external structure. This sort of realism tends, therefore, to prioritize the social over the individual. Societies come to be viewed as *enterprise* associations (Oakeshott 1975: Chapter 2, esp. 114–130), that is, as having a collective goal to which individuals must conform. The contrary belief that society is a *civil* association—eschewing a collective goal and existing to further the goals of its individual members—is a modern manifestation of the denial of epistemological realism and more consonant with the outlook that individual minds impose order on experience.

Medieval philosophy

Medieval Christendom sought to overcome classical philosophy's failure to achieve political harmony by invoking a theologically based natural law and by claiming that the Church was the institution for accessing it, thereby delegitimating the claims of the political realm to prioritization over the Church. This solution also failed—first, in the conflict generated between Church and state and, second, by succumbing to Church versus Church controversies.

For Christians, access to God's principles was a product of moral not just intellectual virtue. Moral virtue was achieved in a variety of ways including ascetic practice that emphasized self-sacrifice and self-denial partly as a way of achieving a form of disinterestedness. Those achieving this state were accorded recognition as spiritual mentors. Of course, there is a danger that asceticism becomes a form of pride. Nevertheless, the ascetic disposition remains a powerful stimulus to the ethical outlooks of members of religious communities: among contemporary clergy it leads to a critique of "consumerism," advertising, and profits, as well as advocacy of so-called stakeholderism (community) and public policies of redistribution (see, for example, Cavanaugh 2003; Pope Francis 2015).

In the later medieval period, "theology" meant rationalization of Christianity through the employment of classical Greek philosophy. To be a member of the intellectual elite, possessing intellectual virtue and moral virtue, meant that one was an "expert" of sorts, though the notion of ethical expertise would emerge more fully in the modern era. Recognition of the elite by the non-elite was facilitated by both the erudition and the ascetic lifestyle of those who claimed this status. The university developed in the late middle ages primarily to train clergy who thus constituted the ethical elite. The university thereby becomes the locus of ethical expertise. Modern universities claim this authority long after they have given up even the pretense of belief in the transcendent. To this day, faculty reflect a modern version of ascetic virtue in their widespread beliefs that universities are superior institutions because they are non-profits, that those who work for profit are morally or socially inferior, and that wealth is something to be shared or redistributed.

The danger of combining intellectual and moral virtue is the tendency for the former to subsume the latter. Morality becomes an intellectual exercise—the *application* of theory to practice or the reflective observance of rules or ideals. The emphasis is on having a correct and defensible theory rather than on how to act, a point explored notably by Michael Oakeshott (1991b). Ideals quickly turn into obsessions. Moral sensibility is inhibited or even eroded in favor of an elaborate casuistry. It is less important to behave well in a concrete manner than it is to chase an ideal or observe a rule.

Modern philosophy

The intellectual framework of the classical and medieval world not only proved inadequate in eliminating conflict on the practical level but was soon under attack on the theoretical level as well. Modern physics, as represented by René Descartes and Isaac Newton, denied the existence of final causes or a universal telos. In addition, the economy was being transformed from agriculture to industry and technology. Descartes himself urged mankind to make itself "the masters and possessors of nature" (*Discourse*, Part VI). In the fifth chapter of *Second Treatise of Government* (§40), John Locke pointed out how human labor created value. With the spread of enterprise in the seventeenth and eighteenth centuries, wealth and growth replaced poverty as the norm. Economics leaves the household, where it had been enclosed by classical thinkers, and becomes modern political economy as reflected in the title of Adam Smith's *Wealth of Nations* (1981[1776]).

The American Founders, especially James Madison, followed David Hume and Smith not only in prioritizing the individual, but in advocating that government be understood in economic terms rather than the economy being understood in political terms. A market economy works best when it exhibits competition; therefore, government ought to be understood as encompassing competing economic interests. Political institutions also require competition—states versus Federal government, divided branches of Federal government, a means of checks and balances. For the American Founders the role of government is to referee the conflict among economic interests (see Madison et al. 1987[1788], *Federalist Papers*, 10) not subordinate them to a non-existent collective good.

Within this intellectual and economic context, modern normative philosophy faced two theoretical problems: first, to account for the social, or at least inter-subjective, status of norms; and, second, to reconcile the individual good with the communal. (See Michael Oakeshott's synthesis of these two problems (1991c: 367–68), noting their origin in the work of Thomas Hobbes). With these two problems in mind, the following possibilities emerge.

First, one could always reassert the classical position, remaining both disdainful of and aloof from modern commerce. This is the position in mainline philosophy of Elizabeth Anscombe (1958) and Alasdair MacIntyre (1981). A somewhat simplified version of this position is the revival of Aristotelian virtue theory within business ethics. As illustrated in the work of Robert Solomon, it too ultimately prioritizes the community:

> The Aristotelian framework tells us that it is cooperation and not an isolated sense of individual self-worth that defines the most important virtues . . . in which the well-being of the community goes hand in hand with individual excellence . . . because of the social consciousness and public spirit of each and every individual.
>
> *(Solomon 2008: 75–76)*

As a second option, one could maintain the existence of a social and human teleology based upon theology yet divorced from any connection with physical nature (the position of the Catholic Church). This option is sometimes embraced by individuals ensconced in a non-profit institution in which they work unperturbed because of the beneficence of donors, all the while urging ascetic practice and the redistribution of resources.

Third, one could deny the existence of any *social* teleology but maintain a version of teleology within the individual. If so, ethics emerges as a form of contractual agreement (e.g., Hobbes maintains that personal survival is the all-encompassing end) among individuals who thereby claim negative rights (thus, limiting the state). Some scholars in philosophy and business ethics have pursued this version of neo-Aristotelian ethics, prioritizing the individual and applying this version of neo-Aristotelianism to business ethics (Machan 2007; Sternberg 2000; Miller 2017; 1995; Den Uyl and Rasmussen 2002), but much of their work has been marginalized perhaps because they do prioritize the individual.

As a fourth and last possibility, one can deny any form of teleology and claim that the social world is a construct of contracting individuals who claim negative rights but are willing on occasion to "adopt" a social perspective. The denial of teleology leads to a substitution of the notion of "moral philosophy" in place of "ethics," although subsequent linguistic usage is rarely this refined. Moral philosophy reasserts the fundamental social nature of morality and focuses on explaining how individuals can and may adopt the social perspective. For Smith and Hume it is through sympathy; for Immanuel Kant it is through transcendental reason.

For this last alternative, the remaining theoretical issue is whether the socially-constructed framework is substantive (as in Jean-Jacques Rousseau, the British idealists, or John Rawls) or procedural (Hume, Kant, J.S. Mill, Friedrich Nietzsche, F. A. Hayek, Oakeshott, James M. Buchanan). If one subscribes to the notion that the social order is substantive, then one is in position to argue for a framework in which positive rights (via the expanded power of the state) override all other claims. On the other hand, if one hews to the notion that the social order is procedural, then one can insist that negative rights are inherent within the individual and cannot be overridden (see, in particular, Buchanan 1975). Proceduralists prioritize the individual; substantivists prioritize the community or the alleged social compact. Proceduralists argue that substantivists indulge in either a covert teleology or a private political agenda. Substantivists argue that proceduralists are amoral or Darwinian in the pejorative non-teleological sense. Substantivists adopt the perspective of presumptive ethical experts; as such, they believe that there is both an overriding communal interest known to them and that, if necessary, the state should employ its monopoly on the legitimate use of force to foster and promote that interest. Proceduralists understand themselves to be advocates of interests, whether individual, group, or institutional, and beholden to voluntary and negotiated contracts.

For the proceduralist, the focus is business law, with ethics referenced to the evolving norms of an evolving marketplace. Should there be a conflict of ethics, there is no guarantee that it will be resolved, only managed.

The Enlightenment Project and contemporary ethics

Since the eighteenth century, the intellectual culture has been dominated by the belief in ethics experts and an authoritative and viable social technology. This belief, the Enlightenment Project (Becker 1962; MacIntyre 1981; Engelhardt 1986; Bloom 1987; Adorno and Horkheimer 1990; McCarthy 1998; Capaldi 1998), is the attempt to define, explain, and control the human predicament through scientific technology. It involves the intention to explain everything, without remainder, in scientific terms, to establish a social science to explain the social world, and to construct a social technology for the repair of and organization of the social world.

Since Descartes and Newton, among others, physical science has been successful in explaining, predicting, and controlling the physical universe. Presumably, there must be an analogous social science that will enable us to explain, predict, and control the human and social world, ultimately producing a social technology. This notion of Enlightenment with its companion science of society dominates the intellectual world, finds its locus in universities and research centers, and permeates all professions based on university education.

With regard to commerce, the Enlightenment Project promises to explain how there can be management science *and* how social scientists and philosophers can engage in normative theorizing and education. We can even, plausibly, educate students to do the "right thing." The authority claimed by philosophers was that they could see the large picture and, therefore, were uniquely positioned to determine policy for every institution—especially business—and resolve all apparent conflicts. Finally, the Enlightenment Project contains a bias in favor of government as occupying a principal perspective on society and thus capable of solving social problems and regulating the economy. For example, in addressing major ethical issues of modern commerce, the default position for many business ethicists is government regulation. Even if almost no one advocates central planning or government ownership, there is also scarcely any principled argument to limit government activity. Some defenders of stakeholder theory might challenge this conclusion (Freeman and Phillips 2002) but there is a difference between what a theorist might hold personally and the logic of the theory. If there is no limit as to who might be a stakeholder, then since the entire national or international economy can easily be construed as composed of stakeholders, the only institution that could resolve conflicts among stakeholders would be nation states or an international political authority. The most recent and celebrated book in economics, Thomas Piketty's *Capital* (2014) invokes the work of John Rawls (1971) to establish an argument eventuating in global economic regulation and significantly higher tax rates. The classic best statement about how government regulation is counterproductive, that of Cass Sunstein (1997), was written *not* to decry regulation but to improve it.

As in business ethics, the mainstream philosophical outlook also favors state activity, exemplified in John Rawls' later view, "Justice as Fairness: Political, not Metaphysical" (1985), receiving its full elaboration in *Political Liberalism* (1993) and *The Law of Peoples* (2001). For Rawls, it is possible to develop a political account of a democratic regime that will provide a kind of constitutional framework for dealing with disagreement about the most fundamental human problems. A similar approach is found in Richard Rorty's "The Priority of Democracy to Philosophy" (1991). We see this in business ethics in the works of Patricia

metaphysics
(identified with the philosophy of science) →
epistemology →
ethics →
political philosophy →
applied philosophy

Figure 3.1 The philosophical ordering of the universe and the priority of metaphysics.

Werhane (Werhane et al. 2003) in her opposition to employment at will. Employment at will permits employers to fire an employee without having to justify this to anyone; similarly, it also permits employees to quit or take a different job without having to justify this to anyone. To regulate employee hiring Werhane advocates an elaborate appeals process, one that will ultimately require regulation by the Department of Labor. One sometimes gets the impression that some business ethicists think part of the purpose of business ethics scholarship and teaching is advocating change in the law or the introduction of new laws—in short, a resort to government regulation.

Analytic philosophy is the current embodiment of the Enlightenment Project, with its ambition of universal explanation. For analytic philosophy, the correct philosophical ordering of the universe reveals the fundamental priority of metaphysics. Figure 3.1 reflects the priority of the ethical over the political but also the priority of the political over the economic, reinforcing again the notion that applied ethics will favor government regulation to make sure that economic practice conforms to larger social or political objectives.

Prior to 1970, many philosophers had either treated ethical issues as metaethical (the clarification of ethical discourse) or maintained that there was an alleged difference between facts and values. Both approaches seemingly precluded a normative science of ethics. All of that changed with the publication, in 1971, of Rawls' *A Theory of Justice*. Philosophers felt themselves newly empowered to engage in normative work. Medical ethics and business ethics became the major growth subfields in philosophy. Social scientists in general and management specialists in particular focused on methodological concerns and were quick to borrow from the discipline of philosophy the idea that they too could engage in normative work. One outcome is that almost everyone now teaching in American universities considers him or herself an ethics expert—and certainly so in relation to those working outside academe.

What accounted for this turn to normative philosophy and the temptation of expertise? Here, one must return to the Enlightenment Project. In physical science there are two major kinds of explanation: elimination and exploration. *Elimination* substitutes new ideas for older ones (e.g., the replacement of Ptolemy's geocentric view of the universe with Copernicus' heliocentric view or the replacement of everyday folk psychology with neuroscience). This is not useful in the social sciences because social theorists claim, initially, to be explaining our values not immediately replacing our values. *Exploration* begins with our ordinary understanding of how things work and then "explains" what is behind it, changing our ordinary understanding. The new understanding does not elaborate the old understanding, but replaces it by following the implications of some hypothetical model. The replacement "explanation" appeals to an underlying structure (e.g., the atomic theory explains chemical behavior and the behavior of gases). Exploratory explanations seek out the formal elements underlying the everyday world rather than accepting that the everyday world can constitute its own level of understanding. Everyday moral judgments are now viewed as epiphenomena, with the underlying sub-structure allegedly providing real scientific explanation.

Exploration had already been practiced in social science. By analogy with physical science, social scientists alleged that they were discovering the hidden sub-structure behind the everyday understanding of social activities. Now exploration arrives to philosophy, including applied philosophy.

Exploration: the "new" normative methodology

An important example of exploration is found in the work of Rawls. *A Theory of Justice* does not start with an explication of existing practice, but instead begins with an imaginary original position, an exploration of the hidden structure behind the epiphenomena of everyday moral judgments and intuitions ("reflective equilibrium"). Rawls' influence on business ethics can be seen prominently in the work of Thomas Donaldson, writing both alone (1982, 1989) and with Thomas Dunfee (Dunfee and Donaldson 1999). Without proceeding into the details of the Rawlsian account, I note that his ethical view is a restatement of the modern liberal worldview. Not to be outdone, Robert Nozick, Rawls' Harvard rival, offered *Anarchy, State, and Utopia* (1974), in which his (Lockean) hidden structure account is a restatement of the libertarian or classical liberal world view.

Suddenly, ethics was fun again. Philosophers with a more nuanced conception of the history of their discipline revisited the classics and reinterpreted them as if the canonical philosophers were offering theories as well. This was a new tour of the "grateful dead." Richard Hare (1981), and his student Derek Parfit (1986) "discovered" that metaethical views had (utilitarian) normative consequences. Some of Rawls' students (Thomas Nagel 1979; Onora O'Neill 1989; and Thomas Hill 1992) returned, or so they thought, to Kant. Elizabeth Anscombe had argued earlier (1958) that both the Kantian and utilitarian alternatives were guilty of errors that could be avoided by returning to Aristotle's account of virtue. Inspired by Anscombe were the neo-Aristotelian theories of Alasdair MacIntyre, in *After Virtue* (1981), followed by Martha Nussbaum (1986), Charles Taylor (1989), and Julia Annas (1993).

It is within this stream of thought that the curious notion of *applied philosophy* emerges, specifically in bioethics and in business ethics. An outgrowth of analytic philosophy, applied philosophy carries within its very name the idea that an independently arrived at and premeditated ethical theory will be "applied" to judging practice. However, this assumption distorts the historical resources of philosophy that might be of use. It takes the form of turning the ethical insights of important figures in the history of philosophy, such as Mill and Kant, into "theories" (utilitarianism, deontology, etc.), as if their insights were explorations and nothing more. This is a distortion because these ethical insights are rigidified into abstractions whose meaning becomes independent of the positions these philosophers actually espoused on public policy issues that are now discussed in business ethics. Mill, for example, had a great deal to say about such issues in his *Principles of Political Economy* (1848), the dominant textbook in economics and public policy in the last half of the nineteenth century. Instead of asking how Mill understood the application of philosophy to business ethics issues, "utilitarianism" has been turned into an independent exploratory theory. All too often business ethicists adopt models of utilitarianism or Kantianism that neither Mill nor Kant would recognize and which completely ignore what Mill and Kant (among others) have to say substantively about issues of business ethics. (For critical assessments of this practice, see the essays in Heath and Kaldis 2017.)

The obvious shortcoming of exploration (in social science or elsewhere) is that there is no way to confirm or disconfirm an exploration in the social world. We never reach a structural level that is observable or empirically verifiable. There are no formal criteria and no consensus we can appeal to in choosing among competing explorations. In fact, choosing among competing "higher" level explorations leads to an infinite regress. To an outsider it appears as if a hidden structure hypothesis is no more than a rationalization for a private agenda. Michel Foucault (1988) argued that the process is simply a power struggle. Bernard Williams complained (1985) that we are trying to wrench a moral consensus out of a divided culture. Both Anglo-American analytic philosophy and most versions of continental philosophy engage in the same type of thinking and make comparable errors.

We live in a morally pluralistic world. Not only is there no consensus nationally, or internationally, there may be no consensus account even within a particular moral agent. The belief that this is problematic or should be overcome by ethical theory is itself contestable. There does not appear to be a way of resolving this situation. Many if not most of these controversies reflect different foundational metaphysical commitments. As such, resolution is possible only by granting the initial premises and rules of evidence. Even if foundational metaphysical issues are not at stake, disagreements arise over different rankings of the good. Resolution does not appear feasible without begging the question, arguing in a circle, or engaging in infinite regress. We cannot appeal to consequences without knowing how to rank the impact of different approaches with regard to different moral interests (liberty, equality, prosperity, security, etc.), and we cannot appeal to preference satisfaction unless one already grants how one will correct preferences and compare rational versus impassioned preferences, as well as calculate the discount rate for preferences over time. Appeals to disinterested observers, hypothetical choosers, or hypothetical contractors will not avail. Truly disinterested decision makers will choose nothing. To choose in a particular way, the decision maker must be fitted out with a particular moral sense or at least a thin substantive account of the good. Intuitions are countered by contrary intuitions. Any particular balancing of claims can be opposed by a different approach to achieving a balance. Finally, in order to appeal for guidance from any account of moral rationality one must already have secured content for that moral rationality. The partisans of each position find themselves embedded within their own discourse so that they are unable to step outside of their own respective hermeneutic circles without embracing new and divergent premises and rules of inference. Many are convinced that they are committed to "reason" when what they are committed to is a particular set of premises and rules. Seeing only "flaws" in the positions of others who do not accept the same rules, they quite literally do not understand the alternative positions or even how there can be alternative positions.

Outside the academy, few take business ethics seriously, however much they may pay lip service to it. The evidence resides in casual conversations and humorous quips, though there is also evidence in print (Stark 1993; Badaracco and Webb 1995; Marino 2002; McDonald 2017). What concerns us here is why this dismissal of academic business ethics does not seem to bother academic business ethicists. Perhaps one reason that analytic exploratory business ethics does not aim to have an immediate and direct influence on business practice is that it aims to educate business students to hold an ideological position about business and to change business practice through the social and political transformation of society (see, for example, McDonald 2017; Khurana 2007). The ideology is an abstract principle or set of principles that has been independently premeditated. It provides without regard to the historical facts a specific political agenda, which also offers criteria for distinguishing the policies to be encouraged from those to be rejected. Social entrepreneurship is promoted as an alternative to, rather than an extension of, ordinary entrepreneurship. Rather than embracing liberal toleration, an ethical consumerism is advocated in the form of regular and ongoing boycotts on behalf of various social, political, environmental causes (Marcoux 2009). To be educated in such business ethics is to be taught how to articulate, defend, and implement the ideology. The ideology's content is drawn from a previous practice, the conversation of modern liberal and social democratic intellectuals.

For example, with regard to corporate governance, Christopher McMahon (1997) advocates co-determination, that is, "legally stipulating that boards of directors be composed in equal parts of representatives of employees and investors." Citing McMahon, Denise Rousseau and Andrea Rivero advance a political agenda to be superimposed on management: "democracy is the power of the people and is manifest in ways . . . that promote participation in and influence over the decisions affecting their everyday lives" (2003: 116). Further evidence of what could be called a "soft democratic socialism" of business ethics rests in the shareholder empowerment movement as designed to have the Securities and Exchange Commission impose further limitations on corporate directors (see Bainbridge 2012). Then there is the suggestion that executives have a fiduciary duty to the firm to limit their own compensation *prior* to accepting employment (Moriarty 2009).

Lest the charge of soft democratic socialism seem extravagant (but see Michael Freeden's account of the five themes embraced by socialists in Freeden 1998: 425–433), it is in many instances based upon the classical conception of philosophy and the notion of applied ethics exemplified in analytic philosophy. This can be seen in how the notion of distributive justice has been totally reconfigured. Aristotle understood distributive justice to mean the assigning of responsibilities and rewards to individuals based upon merit. In the contemporary world, however, the notion of merit has disappeared, replaced by adherence to environmental determinism. The contemporary version of distributive justice is the attempt to reconfigure society in such a way that all social goods are distributed on the basis of "fairness." There is no longer the notion of individuals with the power and responsibility to discipline or transform themselves or to achieve or acquire wealth through their own effort, planning, and self-control. Even the qualities of self-discipline, effort, and foresight are themselves taken as qualities whose original distribution appears as arbitrary. In this way, the free individual has been replaced by the "benevolent" welfare state. The most prominent advocate of this conception of distributive justice is Rawls. He has explicitly endorsed environmental determinism, famously claiming that the social world will always "affect the wants and preferences that persons come to have" (1999: 157). Moreover, "even the willingness to make an effort, to try, and to be deserving in the ordinary sense is . . . dependent on fortunate family and social circumstances." (Rawls 1971: 311–312). In most instances, distributivists remain vague about this doctrine. In so doing, they obscure the differences among various claims: (a) we are sometimes *influenced* by social circumstances (something no one would deny), (b) we are sometimes *determined* by social circumstances (controversial but not implausible), and (c) we are *always determined* by social circumstances. Given these alternatives, it would seem that (c) has to be held in order to justify consistently distributive justice.

With regard to economic growth, many business ethicists either deny or eschew the possibility of infinite growth. They maintain either that growth is finite, and therefore should be subject to government control and rationing on grounds of fairness, or that growth *should* be limited in order to achieve other, more worthy social objectives (Galbraith 1958; cf. Capaldi and Lloyd 2016, Chapter 11). According to anti-market advocates, the Environment (notice the capital "E") is a global ecological responsibility that cannot be adequately addressed by either markets or individual nation-states. The Environment requires that we conceive of the world as an enterprise association, necessitating either world government with global regulatory authority or a constrained view of civil society. Property rights may be overridden in the new globalization (see, for example, Werhane et al. 2010). The same argument for an implicit world government is used with regard to multinational corporations. Generally speaking, anti-market writers like to invoke the notion of universal human rights as embodied in the UN Universal Declaration of Human Rights, as in Pogge (2001).

Business ethicists of this stripe refer to themselves as liberals and claim to acknowledge the benefits of a market economy. What they seek is to regulate it through a democratically elected government. There are two reasons for this lack of frankness: an open acknowledgment of this soft socialism would immediately alienate the business world, and, second, there is no positive, consistent and coherent philosophical argument for this position. The literature is largely a negative and critical attack on the perceived weaknesses of a free market system. Thus, within business ethics the modern liberal or democratic socialist perspective dominates. This dominance helps to explain the prominence of Rawls as opposed to the relative neglect, among business ethicists, of the equally, if not more, gifted explorer, Nozick. There is some (classically liberal) opposition to this dominant view, though it is very much in the minority. More importantly, the left/right debate within business ethics *reflects* the fundamental modern historical debate originating between Locke and Rousseau and extending to the present.

Two competing narratives of philosophical exploration

The political economy of modernity is defined by the conflict between two competing narratives: the Lockean liberty narrative and the Rousseauian equality narrative (for an extended account of these, see Capaldi and Lloyd 2016).

The Lockean liberty narrative endorses:

(a) the **technological project** (the transformation of nature for human benefit);

> God, who has given the world to men in common, has also given them reason to make use of it to the best advantage of life, and convenience . . . it cannot be supposed He meant it should always remain common and uncultivated. He gave it to the use of the Industrious and Rational . . . not to the Fancy or Covetousness of the Quarrelsome and Contentious . . . for it is labor indeed that puts the difference of value on every thing . . . of the products of the earth useful to the life of man nine tenths are the effects of labor.
>
> *(Locke 1960[1690]: §26, 27, 34, and 40, respectively)*

(b) a **free-market economy** wherein property rights are fundamental. The right to private property is a democratic right based in effort rather than an aristocratic right based on the accident of inheritance. Private property is not theft, and a government dedicated to the preservation of property is not antidemocratic.

(c) a **limited government**. Liberty is the limitation of government power on behalf of individual liberty; in this context, recall Locke's endorsement of the right of revolution and his identification of the basic natural rights as life, liberty, and property.

(d) the **rule of law**. Government should have a representative structure in which the neutral rule of law replaces the biased rule of men. The rule of law is manifested not only in non-arbitrary, impartial, and universally applicable law but in the institutional arrangement of the separation of the branches of government and in the teaching of *self-imposed limits* on both the people and their chosen rulers as expressed in a doctrine of natural rights. In its Lockean formulation, these rights (e.g., life, liberty, property) are absolute, do not conflict, and are possessed only by individual human beings. Rights are morally absolute or fundamental because they are derived from human nature and God, and, as such, cannot be overridden; the role of these rights is to protect the human capacity to choose. Finally, such rights impose only duties of non-interference. The purpose of these rights is to limit government; the responsibility of government is to refrain from violating your rights and stop others from violating your rights.

(e) **a culture of personal autonomy**. The dominant theme in Locke is that the best way of life is one in which the individual pursues happiness. He rejected the ancient view that one finds happiness by belonging or being with others.

(f) the identification of **a dysfunctional element** in human society (the "quarrelsome and contentious") and the attribution to that element of irresponsibility.

Whereas in Locke, all negotiation begins with the status quo, in Rousseau, that status quo's history is one of force and fraud, thereby tainting subsequent permutations of the economy. Whereas in Locke, once property rights are settled economic progress and growth for all commences, in Rousseau, the very nature of a market leads inevitably to economic inequality. Whereas Locke offers three pillars of liberty, Rousseau will offer three pillars of equality: political equality, economic equality, and cultural equality.

The Rousseauean equality narrative rejects:

(a) The **technological project**. In the *Discourse on the Sciences and Arts* (1750), Rousseau critiqued the technological project. Instead of satisfying genuine human needs, the arts and sciences express pride (promoting invidious self-comparison) and lead to luxury and the loss of human liberty. Within this development is the origin of inequality. This *First Discourse* emphasizes the huge costs to society—hypocrisy, moral pretense, and the loss of authenticity—in the development of the practical arts and sciences. The anti-technological attitude survives in the contemporary era as the environmental movement. Rather than a Lockean economy that allows for infinite growth wherein a rising tide raises all boats, we are offered a sustainable economy in which all are equal.

(b) A **free market economy**. Rousseau's *Discourse on the Origin of Inequality* (1754) carries his criticism of the liberty narrative one step further. He offers a hypothetical historical reconstruction in which the division of labor is blamed for economic inequality and private property is declared as a kind of theft. The inequality that first emerged as a result of the arts and sciences is now institutionalized as the product of a (Lockean) social contract by which the *few* rich bamboozle the *many*, who are poor, into an agreement that benefits only the wealthy. The liberty narrative in Rousseau's estimation is no more than a fraud.

(c) a **limited government**. Rousseau's own social contract is meant to displace this unhealthy hierarchy and inequality. Whether it is physical, material or intellectual inequality, Rousseau takes the presence of the inequality of condition as the point of departure in the "real" world of society. He questions whether the inequality can be justified, and answers that we cannot do so on the grounds provided by Locke.

Anticipating Rawls, Rousseau maintains that everyone should enter civil society not knowing what is in store for them ahead of time. The notion that certain privileged folks have constructed a false narrative in order to put one huge something over on the innocent and *victimized* many is central to the equality narrative. Effectively, this is the philosophical origin of victimization narratives. While Rawls uses the trappings of analytic philosophy and claims to be Kantian, he is restating Rousseau.

In his *Political Economy* (1755), Rousseau introduces the concept of the "general will." Central to the equality narrative, the general will shapes Rousseau's *Social Contract* (1762), becoming *the* standard by which all action is judged. Everyone gives up everything—especially private property—when leaving the state of nature to enter Rousseau's social contract. There is thus a conception of liberty in the Rousseau narrative but it is a "liberty *to*" participate in collective decision making. Lockean liberty, modern liberty in Constant's terms, is a "liberty *from*." The general will in the end embodies the ancient (and medieval) conception of a collective good, what Oakeshott describes (1975) as an enterprise association.

(d) the **rule of law**. But what are we to do if men, having been born free, are everywhere in chains? Can something be done to transform this condition? At the heart of both the *Political Economy* and the *Social Contract* is the claim that the so-called Lockean liberty narrative is actually a narrative of contractual slavery for the vast bulk of the population.

The only way to have a just society is for everyone upon entering civil society to give up everything and retain nothing. Thus, the Rousseau "correction" of Locke destroys the notion of unalienable rights because everyone alienates everything when leaving the state of nature. In their Rousseauean version, rights are not ends in themselves but a means to the achievement of ends. Merely prima facie, rights may be overridden and possessed by any entity, not just individual human beings. These rights become welfare rights, i.e., they may be such that others have a positive obligation to provide goods, benefits or means.

(e) **personal autonomy**. Right and wrong for Rousseau are no longer to be found in an individual choosing to dissent against the actions of a tyrannical prince or overbearing majority. Instead, right and wrong are decided by generalizing the wills of individuals as they become citizens of a collective project. Moreover, the general will never errs. It is for Rousseau the foundation for political economy. Market conditions do not dictate government policy; government policy dictates economic policy.

The individual is transformed into a willing citizen rather than into a Lockean calculating individual. The transformation is reinforced by quasi-religious festivals on behalf of the secular good. The general economic and political will is reinforced and uplifted by a civil religion that favors communal orthodoxy over individual dissent.

(f) **social dysfunction**. The origin of all social dysfunction is inequality, primarily economic and political inequality. Remove the inequality and the social dysfunction disappears.

The concepts of these two narratives, and some of their notable defenders, are summarized in Table 3.1.

An alternative method: explication

There is an alternative to philosophical exploration, namely the form of non-theoretical reflection championed by Hume (see Livingston 1985, 1998; and Capaldi 1992), the notion of spontaneous order articulated by Hayek (1973: 35–54), or the appeal to linguistic usage in Ludwig Wittgenstein's later philosophy (1953), among others. This form of reflection is "explication": the attempt to articulate the primordial practices existing prior to our theorizing about them. This mode of understanding social practices presupposes that all practices function with implicit norms: to explicate practice is to make explicit the implicit norms. (One analogue to explication is case law in Anglo-American jurisprudence.) In explication, we clarify what is routinely taken for granted in the hope of extracting from our previous practice a set of norms that can be used reflectively to guide future practice. Instead of changing our ordinary understanding, we come to know it in a new and better way. Explication is a kind of practical knowledge that takes human communal agency as primary, mediating practice from within practice itself. Unlike analytic philosophy, there is no theoretical account of the relation between theory and practice; practice is the pre-conceptual domain and there cannot be a conceptualization of the

Table 3.1 The competing narratives of Locke and Rousseau.

Issue	*Locke/liberty*	*Rousseau/equality*
Explanatory narrative	Explicate practice	Reform practice
Technology	Favor (Simon 1966)	Environmental concerns (Carson 1962; Gore 2006; Pope Francis 2015).
Markets	Favor (Hayek 2007[1944])	Market failure (Krugman 2009)
Politics	Libertarian	Communitarian (community as constitutive of the individual; collective good takes precedence over individual good)
Legislation	Equality of opportunity	Equality of result
Law	Rule of law incompatible with redistribution (Hayek 2007)	Distributive justice (fairness) (Rawls 1971, 2001; Dworkin 1986)
Role of government	Protect property rights	Protect third parties
Corporation	Nexus of contracting individuals (Coase 1937)	Social entity (Nader and Green 1976)
Purpose of corporation	Profitable product or service (Friedman 1970)	Common good (Drucker 1954)
Board of directors	Technical expertise to advise and consent (Bainbridge 2012)	Represent all stakeholders (Freeman and Phillips 2002)
Role of management	Primary fiduciary responsibility to shareholders (Friedman 1970)	Priority of distribution over production (Khurana 2007)
Relation of management to employees	Contractual autonomy, hierarchy (Coase 1937; Hoopes 2003)	Democratic participation (Rousseau and Rivero 2003).
Employees	Employment at will (Epstein 1984)	Collective bargaining (Werhane 2001)
Insider trading	Yes—enhances efficiency (Manne 1985)	No—incompatible with fairness (Werhane 1991)
Executive compensation	Supply and demand (Kay and Van Putten 2007)	Fairness (Piketty 2014)
Affirmative action/ diversity	If it improves productivity	Improve fairness (Boxill 2010)
Corporate Social Responsibility	If it contributes to bottom line	Serve common good
Entrepreneurship	Individual (Kirzner 1973; Phelps 2006)	Teams (Reich 1987)
Foreign outsourcing	Improves bottom line, workers, and local community (Maitland 2003)	"Sweatshops" (Arnold and Bowie 2003)

Source: Adapted from a table in Capaldi 2013.

pre-conceptual. Explication is itself a kind of practical knowledge that can be engaged in (successfully) only by those who have immersed themselves in the culture and have such practical know-how. This is Oakeshott's argument against rationalism (1991a), and a similar critique is to be found in Hayek (1973). To explicate is to begin with actual practices and with current law. For example, real-life firms strive to maximize profit and prioritize this over other corporate policies; real-life firms strive to comply with maximizing long-term shareholder value as