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**On Teaching
Business Ethics**

By Tibor R. Machan



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On Teaching Business Ethics

By Tibor R. Machan

Some time ago *Newsweek* ran a “My Turn” column by Professor Amitai Etzioni of George Washington University, who taught a term of business ethics at the Harvard School of Business. The author, who has written, among other works, a book, *The Moral Dimension: Toward a New Economics* (The Free Press, 1988), which is highly critical of neo-classical economics, spent the entire piece lamenting the meager interest his MBA students showed in the subject he was trying very hard to explain to them.

Professor Etzioni’s main complaint in the *Newsweek* piece is that he “clearly had not found a way to help classes full of MBA’s see that there is more to life than money, power, fame and self-interest.” More specifically, the MBA students were disappointingly fond of business, including advertising. Some endorsed the idea of “consumer sovereignty,” meaning that consumers pretty much have the chance to make up their minds as to what they will purchase, even in the face of the persuasive efforts of advertisers. Our author complained in the face of this belief, “But what about John Kenneth Galbraith’s view... [which] argues that corporations actually produce the *demand* for their product, together with whatever *they* wish to sell – say male deodorants.” The implication was that the idea of sovereignty is a myth; people are *made* to buy things by ads, not by their own considered judgment.

Another complaint advanced by Professor Etzioni was that Harvard’s MBAs didn’t wholeheartedly welcome his “ethical” criticism of corporate PACs. He notes that “scores of corporations encourage their executives to form political-action committees and use the monies amassed to influence both Congress and state legislators. One student said he liked PAC’s: ‘Last summer, I worked for a corporation that has one. Its PAC allowed me to advance my economic interest. And, I could use my vote in the ballot box, to support those who agree with my international ideas.’”

After he informs us of all these horrible goings-on, Professor Etzioni asks, “So it’s OK for corporate executives to have, in effect, two votes, while the rest of us have one?”

Debunker Debunked. We could consider Professor Etzioni’s substantive criticisms of business and its executives, of course, and find they aren’t very telling. For example, although our professor never mentions it, there is a famous response to Galbraith’s debunking of the consumer sovereignty doctrine. In a now well-known piece, only rarely used in business ethics texts, F.A. Hayek has argued that while, in a certain sense, desires are created, this is no different from how that occurs with all innovations – artistic, scientific, religious, or whatnot. When a new symphony is written, it “produces” a demand, yes. People take note of it and often find it preferable to what else they might listen to. Certainly, when a service or product is introduced on any front, it is hoped that it will meet someone’s desires, someone who will see its point and judge it as having merit. Indeed, even male deodorants – a product Professor Etzioni snidely denigrates in his piece as an obvious case

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of trivial consumption, may have a point for some of us who are not, perhaps, as lucky as the professor.

Consumer Choice. Now no doubt there are consumers who will buy things for the hell of it and even waste their money on what is positively bad for them. But one may doubt Mr. Galbraith's – or even a business teacher's – competence to judge better than the consumers whether it is right for them to buy what they buy. It would be an especially hard judgment to make from Harvard or George Washington University's ivory towers.

Consider also the PAC case. What about the well-respected American public policy – part and parcel of any functioning democracy – for people “to petition the government for redress of grievances” (respecting, e.g., the double taxation involved in the corporate gains tax or being singled out as the bad guys in the fight for a clean environment)? Where does Professor Etzioni's lament leave all the special interest groups that eagerly lobby in Washington for such noble causes as the protection of the snail darter, defense of animal rights, and the vigorous redistribution of the “nation's wealth”? What about all the Naderite PIRG groups, the Sierra Club's constant pleading, etc., etc.?

In short, why should we decry PACs without also noting that in essentials these kinds of organizations, lamentable or not, are by no means unique to efforts by businesses to participate in the democratic process?

So, judging by the author's very own account of how he went about teaching his business ethics course, it is no wonder that his students responded with little enthusiasm. Evidently what our professor did was not teach business ethics but instead engage in that familiar academic pastime, namely, business bashing.

Denigrating the Profession. Professor Etzioni's approach to teaching “business ethics” is, sadly, typical. It is prevalent throughout the country's universities wherever such courses are taught. Such courses, all too often and rather ironically – considering that “truth in labeling” is one of those public policy matters urged during such courses – labeled as business ethics, are essentially concerned not with the subject matter of ethical conduct within the profession of business but with the denigration of the profession and the advocacy of public policy to reform it.

In medical ethics – and educational, legal, or engineering ethics – the objective is to take general and mostly familiar ethical theories and show how they might be made applicable to the problems that have to be tackled within these special disciplines. What would utilitarianism say about surrogate motherhood or the problem of honest communication in the case of fatal disease? How do we apply the tenets of Christian ethics or ethical egoism to the problems of risk aversion in the building of high-rise apartments or the production of automobiles?

Yet business ethics is presented entirely differently in most courses and textbooks with that name affixed to them. Business ethics courses, as actually taught in most places, essentially involve demonstrating to the students that the very objective of the profession is something shady. Notice how eagerly Professor Etzioni recalls his student's justification of joining a PAC organization: it “allowed me to advance my economic interest.” This, one may gather, had no ethical significance for our professor (who is well known as a severe critic of any kind of consequentialist ethics, the sort where good and right are identified by refer-

ence to some valuable results). For such philosophers and ethicists the pursuit of prosperity is by itself simply amoral. Never mind that there is a long tradition of ethical teaching wherein such pursuit could be well construed as a species of prudence, a trait of character that is, after all, the first of the cardinal virtues.

Instead of seeing business as the institutional expression of the virtue — the good deeds people engage in while carrying out prudent endeavors — business as a profession is something that is mostly mistrusted and denigrated in ethics courses and texts. By implication, of course, the only way to be ethical in business is essentially to abdicate. Short of that, which most people won't quite volunteer to do, one is at least required to wash one's hands clean after one has left the executive suite.

Admittedly, when business ethicists who denigrate commerce look to economists as the moral defenders of the institution and profession of business they find, apart from a few texts, very little that is of moral substance. No wonder, since economists seek only a technical understanding of the workings of business and make few assumptions about what generates business life in the first place. They do not dwell on moral issues — not at all unlike other social scientists, who are trying with all their might to remain value-free in what they take to be a scientific stance about their subject. (Some, unfortunately, extrapolate these assumptions to the rest of human life and thus pretend that their arid “science” can render all of human affairs fully understandable. But moral philosophers should not take advantage of economists' disregard for the moral dimensions of business life — and they usually do not when it comes to other social sciences, the politics and ethics of which they do not despair.)

Business Bashing. Instead of looking to economists to explain why business might indeed be an honorable activity, business-bashing ethicists should look to fellow ethicists — ones, however, who see in business activity a perfectly legitimate form of prudential behavior, aiming at the prosperity of the agents or their clients. And they should then try to come to terms with the arguments that try to establish the moral propriety of such prudential conduct.

Now, I'm painting a rather bleak picture. There might be others who teach this course, with a different perspective, who are more balanced in their approach than those I have been focusing on. Yet, if we consider the literature in the field — including major scholarly books and articles as well as textbooks used — the picture that emerges is very close to how I have been painting it.

For example, in the discussion of employment, the major objective of most business-ethics authors and professors is to demonstrate that there shouldn't be employment at will. Employers ought to be constrained forcibly — by government regulation or litigation — in their judgment as to whom they hire, fire, or promote in their particular endeavors. Nor can employees make certain kinds of decisions, for example, to work at higher risk than OSHA (the federal Occupational Health and Safety Administration) has allowed. If they wish to take the risk for higher pay, they are forbidden to do so by way of the government's imposition of certain standards on every business — never mind how new and how much in need of some initial cost-cutting it might be.

Or take another area, where the major objective of most business ethics professors now tends to be: how the role of subordination of most employees ought to be changed; how

there are so-called employee rights that should cut down, if not totally eliminate, the position of management; and how the employer is a tyrant, an oppressor and an exploiter, and this needs to be countered with some effective legislation and court decision.

It does not matter at all that some employees may prefer working for others who take the bigger risks and are thus expected to reap the greater returns. Never mind that different business establishments might require different types of organization, and in some there might not be much room for shared management roles if they are to be run efficiently. All this is subordinated to the will of the state with the fervent approval of many who teach college students the ethics of business.

One vital question we need to ask is why is this such a prevalent phenomenon in university departments of philosophy, even in business schools? Why is it that business has such very bad press?

There is a fundamental reason underlying our cultural heritage why business has gotten such a bad rap. At least at the level of ideas, I think one has to admit this attitude comes from some of our most honored philosophers – Plato in particular and, to some extent, Aristotle. Indeed, many of the major philosophical figures in the history of Western and Eastern philosophy must take the blame. The basic intellectual underpinning of hostility to business is a form of idealism or, more particularly, a form of dualism.

Idealism in philosophy means, roughly, that the most important reality is ideas and not nature. Alternatively, it is the spiritual realm and not the natural that is of primary significance.

Dualism tends to mean that there are two major elements of reality: the natural or material element and the spiritual or intellectual element. In the history of philosophy, many of the major thinkers, when they did embrace a form of dualism of the two basic substances in the world, chose the intellectual or spiritual as the higher substance, as the more important one.

To the extent that they believe that human beings are composed of these two elements, these philosophers usually select for special treatment and honor the intellectual element of human life.

Happy Life. Indeed, in Aristotle's ethics – not entirely uncontroversially yet quite explicitly – the truly happy life is the life that is lived entirely in terms of one's intellect. This is the contemplative life. In Plato's philosophy, in his ethics as well as in his politics, at least at a first reading, one gets the impression that those people who specialize in the use of their intellect – who excel in that respect of their lives – are the more worthwhile people. And these, then, are the people who are excellent and who ought to be accorded the role of leadership and guidance in society.

This view of the intellectual or theoretical people is in contrast to how we should view those who are mostly concerned with mundane matters, including trade and business. Following this philosophical viewpoint, subsequent Western theology fell into line. This, in part, makes sense of why the Biblical claim – sooner will the camel go through the eye of a needle than the rich man gain entrance into the kingdom of heaven – has been taken to mean a denigration of wealth per se. And Jesus's extreme anger and even violence towards traders using the Temple also makes good sense in this context – one may be sure that chur-

ches were used by other professions — yet we don't know of Jesus ever resorting to violence against their members.

These popular religious readings tend to be a denigration of prosperity and wealth seeking. The institution of usury, one that characterizes the tasks of most banking and lending establishments, was, for centuries, denigrated and found to be unnatural for human beings. This was and continues in some circles to be a normative point, namely, not that people don't charge usury, but that if they are to be true to their true selves they ought not to.

Generally speaking, the only time in Western philosophy that we escaped this kind of thinking was during a very radical and almost as extreme a sway of the pendulum toward the other side. This came with Thomas Hobbes' complete materialism. Hobbes in the 16th century — following his enthusiasm with Galilean physics and science in general (which itself was given sanction through the reintroduction of Aristotle's work in Western culture by St. Thomas Aquinas) — basically completely denies the spiritual or intellectual realm. For Hobbes and his followers everything is matter-in-motion and the whole world can be understood pretty much in terms of physics. Hobbes's philosophy — roughly embraced by many others of that era (e.g., Francis Bacon) — was a kind of reaction, swinging from idealism or dualism over to pure materialism.

Base Activity. Suppose now that we find reality as well as the human being divided into two spheres. And suppose we designate the one sphere to be divine or spiritual — that is, a higher level of reality. It is then clearly not surprising that those who are concentrating their attention and work on supplying our natural needs and wants, the basis for our earthly existence — our worldly pleasures and happiness — will not be honored highly and may even be held in moral suspicion as human sexuality has been through the ages. It is a base sort of activity of human beings, necessary but not noble. It is certainly not deserving of honor or respect or to be held up high as something unambiguously respectable.

I think that a goodly portion of the attack on business can ultimately be traced to this attitude, with the additional factor in our time of the brief swing to the opposite extreme via the materialist philosophy of Hobbes and his followers — including the political economists of classical liberalism. In actual fact, business has made some gains, at least on the practical fronts and in those disciplines concerned with practical matters such as politics and economics. In short, commerce has at least become legitimized. Some of the more severe disdain toward it, which had once been expressed in outright bans of much of what now passes for business, is no longer institutionalized. Instead, what remains is a moral or ethical suspicion toward it which feeds into the law and has helped the institution of business fall into disrepute.

Interestingly, with this attitude toward business, the West has lost the ability to teach the newly emerging Eastern European countries how they might recover from the socialist economic mismanagement. The moral high road for capitalism has been abandoned and only a half-hearted support can be heard from the likes of George Bush and other Western leaders.

Yet none of this is new. It's not just today's *Newsweek*, or tomorrow's episode of *Dallas*, or next term's business ethics courses that supports this half-hearted attitude, a mixture of fascination and disdain. It is, as I have been suggesting, the fundamental confusion that human nature can be divided — that one part is far more noble and spiritual than the other

lower material self, and that we are basically just waiting to get rid of this lower self and realize our nature.

Socrates put the theme of this fundamental confusion very well by saying that all of life is really just a preparation for death, and that death is the time when we join our truly spiritual selves and abandon our material and natural selves.

In that kind of dominant intellectual atmosphere it shouldn't be surprising that those who make a prosperous, successful, material, natural living possible for most of us — those who serve us in shopping centers, not in churches, not in laboratories — would not be looked upon as part of the class to be honored, to be respected.

It is interesting to notice, finally, some of the practical policy consequences of the widespread scorning of business. Just consider how throughout history the people who have been alien to the culture in which they found themselves and therefore couldn't participate in their own traditions often had no alternative but to join the business or financial class. Very often in Europe these were Jews, though elsewhere some other ethnic groups played the same role. These aliens were at first demeaned and later, when the practical value of their work could no longer be denied, were envied. In some cases, in the end they were liquidated.

Let me end by indicating two reasons the above considerations are of vital practical importance to anyone who is interested in human freedom and well-being.

First, the recently revved-up activism of environmentalists will only be checked by good sense if the privatization approach to that important social problem can be sold to the public. But that approach is not salable if profit making is deemed some kind of morally shady endeavor. If saving the environment can best be done by linking it with business — the private property rights system — then business must be morally vindicated.

Second, the recent reforms in Eastern Europe will not be long-lasting if free market solutions are not simply sold as efficient ways of saving nations from bankruptcy, but also as institutional arrangements for human beings to prosper. And for that it is necessary to explain that the pursuit of prosperity here on earth is a worthwhile objective, not something merely to be allowed for emergencies.

Business needs a good reputation. In the United States and Western cultures in general this reputation has, of course, been improving during the last several centuries. But now there is a backlash. If we are to improve our lives here on earth, we need to continue the trend of giving the profession of business much better press than it is getting in academe.

