

# Business Ethics – True and False

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## 1. Expectations

As a kid in Budapest I often saw cartoons depicting American capitalists as cigar-chewing fat cats, crushing workers and all beneath them with their ruthless greed and reckless hedonism.

I saw through this, of course, because I also read lots of American books, mostly fiction, which conveyed a very different sense of American life. Zane Gray, Max Brand, Erle Stanley Gardner, Mark Twain and the lot projected to me a free society in which most folks had a shot at doing well in their lives or at least living life as they chose. I knew well enough that this was fiction but I had the sense that folks at least aspired to those romantic ideals of individualism with a very human face.

When I arrived on these shores and eventually started to immerse myself in academic life, I soon discovered that what was caricature to the communists was actually serious dogma for most intellectuals. It was a very said awakening to find that nearly all of them, both Left and Right but for different reasons, had a demeaning view of commerce and business. This didn't make sense, considering that business was also very much in the midst of American culture – nearly everything that needed financial support, from education to the fine arts, from science to politics, from athletics to recreation, sought the support of business. And at some level even those in the academy understood how much more productive capitalism is than socialism, that penultimate stage toward the dream world of communism (wherein everyone automatically loves humanity, nothing else). But the dream also held them captive.

I decided I wanted to check this out for myself – why such schizophrenia? I had been inspired by some authors to look into this – Cameron Hawley, the novelist who wrote *Cash MaCall* and *Executive Suite*, Ayn Rand, who wrote *The Fountainhead* and, especially, *Atlas Shrugged*, Ludwig von Mises, Henry Hazlitt, F. A. Hayek, Milton Friedman, Murray N. Rothbard and some others gave me some

hope that my sense that there is something amiss in all this business bashing that I encountered from intellectuals was misguided.

I decided to enter the field of philosophy where fundamental issues are studied, so I could get to the bottom of the problem.

## **2. Ethics and Law**

To start with, it became clear to me that the problem lay with how intellectuals understood ethics or morality, not so much law. The latter is, after all, the more or less explicit will of the governing body of a society -- democratic, monarchical, dictatorial, what have you. But that will is shaped by ideas concerning what is right and wrong for people to do. For example, prohibition of alcohol was made illegal for a while because some believed they were right to forbid others to consume liquor. More drastically, Jews were exterminated in Germany because many people accepted the leadership of someone who held that the purity of the race was a sufficient reason to murder people. Or in the USSR the government could abolish private property and herd millions to their death because powerful people believed that it is morally OK to sacrifice human beings for the sake of what they took to be a future paradise on earth.

So it is not law that interested me, mainly, but the more basic issue of ethics, the different ways human beings have answered the question "How should I live, act, conduct myself, as a human being?" Or, alternatively, "What are the correct standards of proper, good conduct for me and other human beings?" I figured, as have many others in philosophy, that if this question can be understood and answered, then law would in the end take care of itself, especially in a nearly democratic country.

## **3. Ethics and Ethical Systems**

I learned a few things and these I would like to sketch for you now. First of all, ethics is a field of inquiry that's quite problematic. When one says "He is acting unethically," the meaning of this is by no means self-evident. There are competing ethical theories, systems, and this is evident in how often folks disagree about what is the right thing to do. And among the philosophers who concentrated in ethics, I also found many disagreements.

Not only that -- some people, many in the social sciences, believed ethics is a bogus field, like astrology or witchcraft or demonol-

ogy. Clearly, we can see this view widely embraced today, even while others complain about ethical problems. Just recently *The New York Times* ran a discussion of how the human mind developed and only two positions were taken seriously: either we are hard wired and everything flows from our genetic make-up (nature) or our brains are flexible and the environment shapes them (nurture). The idea that individuals have something to contribute to their own thinking and, thus, behavior, didn't even get one line in this report! So the basis of the criminal law, namely, individual responsibility, seems now to lack any scientific support.

So, clearly, many matters needed to be looked into if I was to make headway with my goal of figuring out what ails – what, if anything, is morally problematic about -- business in a country so closely associated with it. But I think I made some headway, eventually. Here is how I now see the problem:

First, many people think that the hard sciences are the only rational field of study, so if we are to understand human life, this understanding must use the methods what we follow in the hard sciences – or, actually, used to follow there until recently, lead by Isaac Newton and others. That means that we need to be able to explain what people do by reference to the various forces acting on them – genetic or environmental, for instance.

Second, even if this doesn't tell the whole story, it is completed once we add the (Kantian) idea that in the area of our "inner selves" we are free. We can intend to do well but that is all – it is the thought that counts and actual behavior is not really in our control. Free will is a kind of spiritual issues. So what counts for the most, ethically or morally, is what someone intends or means – the categorical imperative our will accepts. What the person actually does, the behavior engaged in, is morally not important. Feeling another's pain is about all that can be done, doing anything to alleviate it is something else. The reason is that in the physical, empirical areas the laws of nature dictate what happens and the human will is impotent.

From these kinds of thoughts it emerged that those of our actions that produce good results for ourselves are morally irrelevant. Consequences do not count, only intentions. Moreover, such mat-

ters really cannot be dealt with scientifically, so they may even have to remain a matter of faith, religion.

Well, this situation makes business unlikely to come off as having any moral standing. Actually, not even medicine nor any other productive profession, can have moral standing. With medicine, though, one can assume that people mean well, are impartial, not concerned with their own well being. This is not possible to imagine about commerce – in it people usually want to make a good deal, one from which they will benefit. It is egoistic, self-interested, thus clearly not impartial. Business is concerned with prosperity, usually for the acting agent or those close to the acting agent. Such a moral outlook bode ill for business, there is no doubt of that. Prudence, which is the virtue in terms of which one ought to take decent care of oneself, lost its status as a moral virtue and became a kind of inner compulsion.

I did, however, also discover, after a bit of study, that this view of what is right for us to do wasn't always in vogue. In ancient Greece Aristotle thought that ethics was needed to guide us toward happiness. Oddly, it was Adam Smith who made this point most explicitly. In *The Wealth of Nations* Smith says:

Ancient moral philosophy proposed to investigate wherein consisted the happiness and perfection of a man, considered not only as an individual, but as the member of a family, or a state, and of the great society of mankind. In that philosophy, the duties of human life were treated of as subservient to the happiness and perfection of human life. But, when moral as well as natural philosophy came to be taught only as subservient to theology, the duties of human life were treated of as chiefly subservient to the happiness of a life to come. In the ancient philosophy, the perfection of virtue was represented as necessarily productive to the person who possessed it, of the most perfect happiness in this life. In the modern philosophy, it was frequently represented as almost always inconsistent with any degree of happiness in this life, and heaven was to be earned by penance and mortification, not by the liberal, generous, and spirited conduct of a man. By far the most important of all the different branches of philosophy became in this manner by far the most corrupted.

Now the ethics of Aristotle didn't quite include striving for prosperity as a major ingredient of striving for happiness because Aristotle was, well, an intellectual elitist. For him ultimately only pure abstract thinkers could become happy.

Yet, this seemed to me a serious improvement on the ethics of Immanuel Kant who denied that happiness was the goal of ethics. Once we revise Aristotle's ethics in light of a humanistic, naturalistic view of our lives, and add that not just the intellectual life but human life, with all its attributes – including its economic dimension – needs to be part of happiness, it is not difficult to appreciate that productive professions such as business could also have moral standing. After all, what do people in business do but strive to achieve prosperity? While prosperity may not be all there is to human happiness, it certainly is clear that it is a part of it – just ask the poor!

So it is now fairly clear that we have two very different ideas of what it is to be ethical: the first says we must be indifferent to good, earthly things for ourselves, even for our intimates, and worry only about following impartial rules. Egalitarianism is the result of this for politics and law – as the work of John Rawls shows. Since business is competitive – so that some do very well, some a bit less so, some mediocre, some not so well at all and others outright badly -- business does not fit this view of human morality at all. The only way business can redeem itself it if engages in *pro bono* activities, philanthropy, “socially responsible” projects, etc.

The second view, however, implies that business is an honorable profession, no less so than medicine or art or science: it aims for some ends that contribute to human happiness. But this second view is out of vogue today, especially among many academic philosophers, including many of those who teach business ethics. Instead they embrace the Kantian view and regard prudence, caring for oneself, including economically, at best amoral, but more likely greedy and callous – as depicted in the movie *Wall Street*, for instance.

#### **4. Assumptions of Business Ethics**

Suppose we reject the Kantian idea and contend that business is indeed an honorable profession? Does this mean that people in business can do no wrong?

Clearly not, but they would normally be quite worthy of respect and even admiration, when they carry out their professional tasks conscientiously, successfully. Even without any extracurricular deeds of charity or generosity, those in business, as those in education or science, could be seen as embarking upon morally worthwhile tasks.

There are, however, pitfalls in business, as in any other profession, which is why business ethics is an important field of study, a sub-field of professional ethics (which is itself a sub-field of role ethics). Under the Kantian view, though, business ethics is what so often is said about it, an oxymoron. For anything so directly concerned with self-promotion couldn't possibly be justified as being motivated impartially.

With business as an honorable profession, it can now be appreciated that the field has some unique tasks where one faces temptations to go wrong, to become corrupted, no more or less so than in medicine, art, science, and education. Yet that is not how most teachers see the field.

Business ethics as taught in our time mostly by those who make of it a kind of business bashing. What the courses and books teach is that business needs taming because it is, well, a kind of wild beast, driven by a motive of self-regard, profit, that is amoral so it needs to be civilized, socialized.

Thus, much of so called business ethics focuses on public policy – law and government regulation. All of what in other fields may be taken to be ethical pitfalls are, in business, addressed by some government regulatory agency. This isn't so, evidently, with religion or journalism, at least in the USA, because our system of law prohibits the regimentation of professionals in these fields. But then those fields do not face the obstacle of having prudence as their main justification.

If, however, we acknowledge that business is honorable -- a genuine profession that can be practice with honor -- and does not require constant paternalistic government intervention, we run afoul of a lot of political thinking loose in the halls of Ivy. The reason is not difficult to see.

Ethics assumes that people have free will and that the choice between right and wrong conduct must itself be free, not coerced, compelled by others. That precludes a great deal of government intervention – what is tantamount to prior restraint -- now on the books. Even more controversially – and here many in business join the skeptics – there would have to be firm, stable standards by which business conduct can be guided and evaluated. Some things might well be wrong to choose, even though they could not be subject to prohibition.

One could argue, for example, that racial prejudice in business is really morally wrong, not just unlawful. Sexism, bigotry, unfairness, callous management, ripping off employers, stereotyping customers in advertising, peddling risky stuff to children, taking advantage of political favoritism, exploiting tyrannical systems abroad so as to get low cost labor, etc., could all be seen as ethically objectionable, something many people in business might not wish to give up because they gain some temporary benefits from it. (That many in business actually do not wish to take all such short cuts is evident from the fact that 26% of the 544 largest US firms do not even give money to political candidates – e.g., IBM, Campbell Soup and Gillette).

If, however, one regards business as lacking moral standing, incapable of being carried out honorably, then ethics is irrelevant and everyone in business looks only to what is legally permitted, never mind any other standard of conduct. If China has favorite nation status, then dealing with it is OK, never mind any slave labor being used in its manufacturing plants. If South Africa is not under official sanctions, well then just take advantage of the cheap black labor there. If the law permits lobbying for protectionism, well then William F. Farley, CEO of Fruit of the Loom, can exclaim “I make no apology for fighting for the interest of Fruit of the Loom’s shareholders and the American workers we employ” as he asks the government to deploy restraint of trade against foreign importers, never mind that this is really nothing else than sending extortionists to “level the playing field.”

## **5. Bottom Line and Other Goals**

Let's take a brief look at what business ethics actually comes to if we look at it from the neo-Aristotelian perspective I sketched earlier, wherein ethics is a life-enhancing system of principles, guidelines.

To start with, the professional task of people in business is to make the enterprise prosper, first and foremost. To do that well is itself morally commendable, praiseworthy, not simply shrewd and clever. If one judges policies in terms of irrelevant concerns – such as suiting one's racial or sexual prejudices, nepotism, etc. – one violates business ethics because this undermines the objective of the job. Keeping the bottom line in focus becomes a moral responsibility, not just a “natural drive” in business. Loosing sight of the bottom line is itself a kind of moral negligence and betraying it is outright malice.

But business ethics isn't the only ethics people in business need to be concerned about. This holds for any other professional ethics because we are not just professionals but human beings who ought to live morally whatever we do, wherever we do it. In business the bottom line is first but even there it is not all there is. People in business, as in other fields, aren't always on the job, nor should they be (for example, if they have family obligations, citizenship responsibilities, fraternal duties, etc.). So while business ethics is important to follow, it is not all that matters for those in business. However, in the Kantian perspective, wherein people in business are already condemned to doing something at most amoral but probably morally shady, people in business are morally tainted and not much can then be expected of them.

Still, in business it is proper and commendable to focus first on the bottom line and let no one teach the contrary for that betrays a disdain, moral contempt for the field, not a concern for its ethics!

## **6. Entrepreneurship & Ethics**

It is not my task here to elaborate everything about business ethics. But let me just hint at how this ethical perspective would view some of what plagues the field.

Very generally put, a serious temptation of those in business arises because they are often out there striving. Entrepreneurial initiative requires assertiveness, hustle-bustle, chutzpah, all of which is

ethically proper. Yet, it can get corrupted from lack of care and trail off into aggressiveness, reckless disregard for other objectives human beings need to be concerned about. Again, this is true of artists who aside from being tempted by plagiarism or repetition can also neglect their families, or of scientists who fudge evidence and also become so absorbed that they neglect politics and friendship, or of politicians who serve special, vested interest rather than the true public interest that has the security of every citizen's rights in focus.

What might be termed "excessive eagerness" in business, however, is very visible, so it is easy to focus on it unfairly. When artists cheat by swiping the styles and ideas of fellow artists, hardly anyone knows. Even scientific fraud is very tough to spot, let alone the misconduct of educators who exploit their captive and vulnerable young audiences as to pitch to them their favorite doctrines, not to remain an even handed guide to the thinking in their disciplines.

## **7. Conclusion**

So why is business approached so hypocritically – people place it under a moral cloud but fervently wish for its fruits: Praise Mother Teresa and then hit to shopping mall?

Because we haven't come to terms with the fact that ethics must guide our lives to success as human beings here on earth. Thereafter is something that's pretty much out of our hands, a matter of mystery and perhaps God's grace. What we are responsible for is to achieve our human form of happiness here on earth and the various professions, including business, can be instrumental for that purpose. Thus business must be given its due, as does science, art, medicine, education and so forth.

Once this is understood, then a bona fide ethical perspective on business will become possible. Just as journalists, who are free of government meddling and regimentation, can be evaluated ethically, so should business be free and then be evaluated on the basis of whether they do the right or wrong thing. Only when they violate people's rights should they face the burden of legal sanctions, not before, exactly as everyone else is treated in the criminal law, without prior restraint.