

Chapter 2

Care Ethics and Markets: A View from Feminist Economics

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Introduction

Addressing the question of how, or whether, care ethics is relevant to the world of commerce is full of potential pitfalls—pitfalls that arise from our common dualistic patterns of thought. One such trap, as discussed in the Introduction to this volume, is the belief women do care ethics, while men do justice ethics. This bowdlerized and incomplete version of the story has, unfortunately, become much popularized.¹ If we think that Gilligan discovered a *new* type of moral understanding or *women's* type of moral understanding, I believe we miss the most important insight of her work. Gilligan's (1982) work is remarkable because it brought to light a modality that was *already in widespread use*, but whose existence had been made invisible by existing traditions of philosophical thought. Her recognition and articulation of care ethics began to make discussion of it intellectually respectable.

A second problematic pattern is our tendency to think that social life and economic life happen in distinct spheres. While we may grant that interpersonal, family, and civic life are laden with meaning, ethical depth, and opportunities for care, we may believe that, in contrast, modern capitalist, market-oriented, competitive economic life obeys its own impersonal and mechanical rules. Many people dismiss the notion of “business ethics” entirely—as an oxymoron—because they believe that firms, being inherently driven to maximize profits, simply do not have any ethical decision-making space. Among those who admit a role for ethics, many see a role for certain impersonal rational ethical principles, but find the (presumed) insertion of “touchy-feely” care concerns too far-fetched. And then there are those who put more

¹As I write, the Wikipedia entry on “care ethics” is disseminating this view, and it has even infiltrated at least one textbook on business ethics (see citation in Borgerson 2007). Care ethics is sometimes even referred to as “the feminist” approach. In fact, the question of what is—and is not—feminist about care ethics is a topic of lively debate (Borgerson 2007; Tong and Williams 2009).

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priority on ethics, and less on preservation of current systems, and conclude that if we want a more humane economy we must first destroy the impersonal capitalist machine. That is, they believe we must completely turn our backs on large-scale, corporate, global, privately-owned, and/or profit-making enterprises and competition, and build a new economy based on small scale, noncorporate, local, worker- or community-owned, nonprofit enterprises and cooperation. Note that whether they are defending capitalism from care ethics, or care ethics from capitalism, all of these commentators agree that capitalism and care ethics are intrinsically incompatible.

Insights from the field of feminist economics can help us explore care ethics and its relevance for contemporary business, and aid in achieving rich and nuanced analysis, because it challenges these dualistic conventional understandings of both gender and economic behavior at deep levels. The image of “economic man”—the character who is said to populate the (presumed) free market automaton—is recognized, within feminist economics, as being both heavily gendered and entirely mythical. If individuals, businesses, and markets really were so impersonal and mechanical, then care ethics would, indeed, be inapplicable. But what if this image is wildly misleading, as a guide to actual economic life?

This essay argues that neither abandoning economies to care-free functioning, nor trying to invent a completely new economic system, are intellectually defensible or practically implementable answers to the very severe contemporary economic problems we face. Parallel to the case of Gilligan and moral development, I make the case that what we need to do, instead, is bring existing modalities of economic behavior to light, and argue for granting them intellectual respectability. We can “discover” and articulate the importance of care issues that have been there all along. Only after we have accomplished this, can we think pragmatically about what it would mean to have a more humane economy—and perhaps help create the space for actions directed to making it come about.

Beyond Economic Man

The field of feminist economics, in its contemporary incarnation, began to bloom with the 1993 publication of *Beyond Economic Man: Feminist Theory and Economics* (Ferber and Nelson 1993). While feminists had earlier noted that women and women’s traditional experiences were much neglected in the mainstream economics discipline, by the late 1980s a number of us had also noticed that the very definition, core assumptions, central models, and preferred methods of mainstream economics were distinctly gender biased.

Dualistic Thinking—Insights from Philosophy

As a number of writers on the history and philosophy of science (e.g., Easlea 1980; Keller 1985; Harding 1986) had pointed out during the 1980s, dualisms such as those shown in Table 2.1 have underlain much of Western philosophy and culture. Rationality, autonomy, and math, for example, all have masculine cultural

Table 2.1 Splitting the world: Western philosophy

Higher order	Lower order
mind	body
rationality	emotion
autonomy	dependence
self-interest	other-interest
quantitative	qualitative
general	particular
masculine	feminine

associations, while emotion, dependence, and qualitative analysis have all been commonly seen as more feminine. What is more, the dualism is hierarchical, with the masculine-associated side generally considered to be of higher value. This was institutionalized into notions of science during its Enlightenment-era origins, when, for example, the scientific enterprise was described as an attempt to “raise a masculine Philosophy . . . whereby the Mind of Man may be ennobled with the knowledge of Solid Truths” (Henry Oldenburg, an early Secretary of the British Royal Society, quoted in Keller 1985, 52).

It is critically important to note here that the point being made is about *how we think*, not about differences between men and women. Feminists often make a distinction between “sex” and “gender,” wherein “sex” is used to refer to biological differences between males and females, while “gender” refers to cultural beliefs constructed on the base of (preponderant) sexual dimorphism.² So the issue is not whether men, for example, have more mind or less body than women: They manifestly do not. Rather, the point is that there is a deep *cultural pattern* of defining male as being dichotomously different from, and superior to, female, and defining minds as being radically disconnected from, and superior to, nature, matter, and emotion.

Dualistic Thinking—Insights from Psychology

Although currently immensely popular, questions of whether male or female brains are wired differently, with differing tendencies towards one sort of behavior or another, are rather irrelevant to this point about cultural patterns. While findings of differences are made much of, empirical studies actually tend to show large overlaps in the distributions of the vast majority of male and female capacities and behaviors (Jaffee and Hyde 2000; Hyde 2005). (Those who strongly associate women with care, for example, would do well to remember Margaret Thatcher—as well as involved fathers.)

²Recent feminist literature has become more complicated as scholars deal with intersexuality, transsexuality, and the like. But the sex/gender distinction provides a rough typology that is useful when examining cultural stereotypes.

But while contemporary psychology does not support the existence of hard-and-fast, categorical differences in behavior between the sexes, it does confirm that we *love to think* in terms of hard-and-fast, categorical differences! Psychologists have found that our brains tend to perceive the world through cognitive routines that save on mental effort by lumping wide ranges of qualities and objects together into simple categorizations and associations, among which masculinity/femininity is a noticeable case (Bem 1981; Knutson et al. 2007; Nosek et al. 2007). Laboratory studies show that people tend to recognize and process information more quickly when it fits into pre-existing *gender schema* (such as Table 2.1) than when it conflicts.³ While such mental shortcuts often harmlessly speed up our thinking, they can also severely limit and bias our thinking. Being able to respond to stimuli in ways *contrary* to an existing schema is often interpreted as a sign of mental agility, in the psychological research.

A Brief History of “Economic Man”

So how do these philosophical insights and psychological research relate to the image of “economic man”? Mainstream economic theories are built on the assumption that humans function as individual, autonomous, rational, self-interested actors—all masculine-stereotyped terms. Let us take a brief look at the historical development of this notion.

In part, it goes back to the eighteenth century work of Adam Smith (Smith 1776 [2001]). Although Smith was a much more complex thinker than his modern legacy would suggest, one part of his thought has had a profound impact on how we think about economics: Smith suggested that economies could be seen as functioning like giant machines, in which the “invisible hand” of markets magically channels the energy of individual self-interest into service of the social good. At the time that Smith wrote, of course, machinery was radically changing people’s lives, and Newtonian physics—which explained many mechanical phenomena—seemed the epitome of science. So it was understandable that he applied such a mechanical metaphor to economic life. Smith laid the groundwork for thinking about economies in mechanical, a-social, self-interest-oriented terms.

But the full-fledged notion of “economic man” did not really get developed until the nineteenth century, when John Stuart Mill (1836) attempted to lay the groundwork for a discipline of economics that would be both fully scientific and carefully demarcated from other endeavors. Mill explicitly peeled off many dimensions of human experience: human bodies were considered to be the topic of the natural

³It is also possible to enter this topic of biased or schematic thinking through linguistics and philosophy, by examining the role of metaphor in shaping how we think (Lakoff and Johnson 1980). See Nelson (1992) and for applications to up-down thinking about gender, Nelson (2006) for an application to the “economy is a machine” metaphor, and Hamington (2009) for an application to the “business is a game” metaphor.

sciences; conscience and duty were consigned by Mill to the realm of ethics; life in society was given its own discipline. What was left for economics to deal with was “man [sic] . . . solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end” (38). This added an assumption of rationality to the idea of “economic man” as a-social and self-interested.

Why did Mill believe that he had to separate out a very thin slice of human life for analysis by each of the various fields? He believed that this was required by the nature of *science*. Significantly, his model for science was geometry, and its methodology of reasoning from abstract principles. Mill, to his credit, argued that no economist would ever be “so absurd as to suppose that mankind” is really described by only the parts of human nature selected for study in economics (38). Unfortunately, however, what remained and flourished in later economic thought was not Mill’s modesty concerning the ad hoc premises and limited applicability of the geometry-like discipline he proposed, but rather his idea that economics must base itself on an image of autonomous, rational, self-interested beings in order to be “scientific.” This approach received a big boost in the late nineteenth century when “neoclassical” economists found that they could mathematically formalize Mill’s idea of desiring the greatest wealth.

The inventors of neoclassical economics assumed that individual consumers or workers are rational, self-interested, autonomous agents who maximize a mathematical function that represents their levels of satisfaction or utility. By analogy, firms were seen as rational, autonomous actors who maximize a mathematical function that represents their profits, that is, excess of revenues over costs. These assumptions continue to form the core of mainstream economic analysis today.

What is Left Out

Note, then, that the notion of “economic man” is doubly gendered. First, in leaving out all aspects of human life having to do with bodies, emotion, dependence, or other-interest, it highlights only culturally masculine-associated notions of humanity, while blocking out consideration of feminine-associated ones. Not only are the occupations of feeding, cleaning, and nursing bodies (traditionally assigned to women) made invisible, but *everyone’s* experiences of social life in general and of dependency in childhood, illness, and old age in particular, are denied. “Economic man,” in contrast to real humans, neither ever needs care nor has any responsibility or desire to give it. Secondly, the origin of, and continued allegiance to, “economic man” reflects the impact of a gender-biased view of scientific endeavor, which prioritizes mathematical and abstract thinking, and denigrates qualitative analysis or delving into particulars. In attempting to achieve “scientific” status, the discipline of economics has, ironically, instead fallen into dogma. A certain biased methodological view has led to a dogged allegiance to the assumption of self-interested agents and mechanical markets, when a more impartial and empirical examination of economic life (see below) leads to quite different conclusions. Feminist

economics criticizes standard, neoclassical approaches not because (with all their math) they are too objective, but because (with all their dogma) they are not objective enough. The discipline has been to use a card game analogy, playing with only half a deck.

And the problem is not just with academic economics. Neoclassical notions of profit maximization and competition have saturated the popular image of economic life. The rigid, gender-schematic thinking that shaped the roots of economic thought from Enlightenment times has since then become a fully-bloomed thicket that traps our thought.

An Alternative to Dichotomous Thinking

As a tool for developing a more flexible—less biased, and less arbitrarily hierarchical—sort of thinking, a “gender-value compass” (Nelson 1992; 1996) may be useful. Instead of thinking of masculine-superior and feminine-inferior polarities, as shown in Table 2.1, what happens if gender and value are instead considered as marking out distinct dimensions, as shown in Fig. 2.1?

That is, what both masculine- and feminine-associated characteristics and behaviors are acknowledged as having both positive and negative dimensions?

For example, take the stereotype that men are more individuated and autonomous than women, while women are more embedded in relationships. In actuality, of course, men could not survive without having been raised in families and permeated by the values and customs of their societies and women have identities and wills of their own. We are all, in fact, *both* individuated and connected in relationships, as illustrated in the top half of Fig. 2.2. The positive complementarity between the top two cells indicates that both our individuality and our interrelatedness can be celebrated. But what if we try to have one without the other? The myth of the “separative” self pretends that complete isolation is possible; the myth of the “soluble” self pretends that individual boundaries can be made to totally disappear (Nelson 1992; England 2003). For example, the cultural idea that a man, Mr. John Jones, can be “self-made,” while a woman becomes Mrs. John Jones when she marries, illustrates the negative complementarity between the bottom two cells.

“Economic man” is a perfect example of a mythical separative self. This myth needs to be challenged, but not by an opposing emphasis on equally mythical, stereotypically feminine-associated ideals of boundlessness and harmonious

Masculine, Positive	Feminine, Positive
Masculine, Negative	Feminine, Negative

Fig. 2.1 The Gender-Value Compass

Fig. 2.2 Individuality and Relation in the Gender-Value Compass

M+	F+
individual	related
M-	F-
separative	soluble

solubility. Rather, we need to get more sophisticated in our thinking, realizing the possibilities of both/and, rather than a dualistic either/or.

Discussions of ethics, and discussions of markets, are often marked by exactly such traps of either/or thinking. With some practice, these too can be overcome.

Implications for Ethics

Discussions of care ethics and justice ethics often tend to fall into an either/or dichotomy: either one applies universal rational principles (justice) *or* one emphasizes the arising of particular sentiments and personal relations of responsibility (care). But can these really be separated?

Care Within Justice

Consider, as a first example, the “Heinz dilemma,” one of the stories used in Gilligan’s path breaking work. A subject is asked to consider the situation of a man named Heinz, whose wife is deathly ill. He cannot afford a drug which might save her life. Should Heinz steal the drug? This story had been used by psychologist Lawrence Kohlberg as a way to assess a subject’s progress towards ethical reasoning using principles of justice: The ethically mature subject should (presumably) weigh the principle of protecting life against the principle of protecting property, and conclude that since life is more important, Heinz should steal the drug. Gilligan found her subjects, instead, often worried about who would care for the wife if Heinz went to jail, how the theft might affect the druggist’s family, whether some kind of agreement could be worked out between Heinz and the druggist, and so on—efforts to try to maintain relationships while also meeting needs. If we think dichotomously, we tend to see the Kohlberg-Gilligan debate as a matter of an ethic of justice *versus* an ethic of care. Gilligan appears to have raised an *alternative* orientation to that of reasoning about individual rights and principles.

But consider some variations on the Heinz dilemma. What if, instead of asking, “Should Heinz steal the drug to save his wife’s life?” subjects were asked “Should Heinz steal to save his neighbor’s life?” or “Should Heinz steal to save a stranger’s life?” Presumably, if the principle of life versus property were all that was involved, the answer “Heinz should steal” should remain the same. But few people, I think,

believe that ethics demand that we have infinite responsibility. If we ask ourselves to “Should I be willing to risk everything to save a stranger’s life—and do I actually do this?” the answer is clearly “no.” So *within the very question* that is supposedly (by the Kohlbergian view) about universal principles, is an *implicit* base of assumptions about interpersonal relations, particular responsibilities, and care. While mere “principle” should not count a wife as more valuable than a stranger; actual relationships and practice show us that, as humans, we do not act simply on mere principle. Questions of appropriate relationships, appropriate conduct within relationships, and the degree of merited *self-care* all—of necessity—arise and demand to be balanced. This example illustrates how Gilligan did not discover some new sort of ethical approach, but rather uncovered and articulated a dimension that was already there.

Care, Perhaps, Before Justice

Another example of how justice and care are complementary or intertwined comes from contemporary research on the roles of reason and emotion in individuals’ ethical judgments and action. In studies using brain imaging, observation of people with specific brain damage, and other techniques, psychologists have found that moral judgment is—initially at least, and often entirely—more a matter of affective moral response than of moral reasoning (Greene et al. 2001; Haidt 2001; Greene and Haidt 2002). Moral reasoning, rather than being part of the process of coming to a judgment, is more often involved in possible *post hoc* justifications of a judgment already arrived at intuitively. That is, we sense the “rightness” or “wrongness” of something, and then may work to come up with reasons and principles that justify what we feel. This is not to say that moral reasoning plays *no* role—people may in some circumstances consciously reflect on their intuitive judgments, and then change their mind. But research suggests, that this occurs be relatively rarely.

For questions of positive moral *action*—as opposed to moral judgment—emotional responses such as empathy, sadness, and shame seem to be particularly important, while the role of moral reasoning is particularly weak. One can be an expert on the many ways of formulating principles of justice, but if one does not *care* about acting justly, all the principles in the world will have no effect on behavior.⁴

These current trends in research also emphasize the social and cultural aspects of moral judgments. Individuals do not develop their moral capabilities in a vacuum. While overt structures of legal and social rewards and sanctions obviously have substantial effects on the behavior of individuals and organizations, more covertly, the

⁴In the words of feminist philosopher Karen Warren, “The ability to care (and emotional intelligence generally) is necessary (psychologically, physically, and causally) for moral reasoning . . . So . . . One should care because one cannot reason morally, be motivated to act morally, choose to act morally, or value certain practices as moral . . . *unless one cares*” (2000, 112, emphasis in original).

very structure of ethical valuation is shaped by myriad cultural practices. Customs, rituals, and repetitive bodily movements, for example, inform moral intuitions from an early age. Ethical approaches can be seen as based in cultural knowledge, which is “a complex web of explicit and implicit, sensory and propositional, affective, cognitive, and motoric knowledge” (Haidt 2001). Similar to Gilligan’s work, this research strongly questions the idea that we are rational, autonomous principle-followers, and brings back in emotions, social connections, and the body.⁵

Justice and Care

All of this analysis suggests that, far from being opposed to each other, justice and care are as two legs, or two sides of coin. The two orientations may be analytically distinguishable (according to a categorization that we ourselves create—just like we create gender), but they are united in practice. Putting them into a gender-value compass, we can think of them having a positive complementarity, as illustrated in the top two cells of Fig. 2.3. The bottom two cells indicate, again, what happens if we try to have one without the other. The illusion that justice can exist without care leads to coldness. On the other hand, an overly sentimental emphasis on care, to the exclusion of justice, leads to unjustifiable favoritism. One can also think of another problem with purely rational justice being a lack of motivation to act, while unreflective impulsiveness can be a problem with an empathy-only approach.

For example, consider a picture that appeared in national newspapers many years ago. The photo showed a Latin American family sitting around an aged and lonely immigrant man whom they had taken into their circle of friendship, care, and

justice	care
coldness	favoritism

Fig. 2.3 Justice and Care in the Gender-Value Compass

⁵From a feminist perspective, however, it is shocking to see the lack of credit given to feminist theorists who have pointed out the gender biases in traditional Western liberal philosophy (as in Table 2.1 above), and to Gilligan. While psychologist Jonathan Haidt’s much-cited article on an interpersonal and social approach to moral judgments (Haidt 2001) critiques Kohlberg and others for their overly rationalist, individualist, and disembodied approach, he neglects Gilligan and the Kohlberg-Gilligan controversy entirely, citing male authors as the originators of the social and interpersonal approach. While there may be issues internal to the psychology profession that explain the omission of any mention of Gilligan, this looks distressing like yet another case of a point being noticed only when a man makes it.

protection. Very nice. The old man, however, was Dr. Josef Mengele, the notorious Nazi war criminal. I use this to remind myself that one should not one-sidedly elevate considerations of care over considerations of justice.

Implications for Economies

Neoclassical economics teaches that markets and businesses are mechanical mechanisms populated by self-interested, autonomous “economic man.” Individual consumers or workers are seen as discrete, separative agents who maximize mathematical utility functions, while firms are portrayed as discrete, separative economic actors that maximize mathematical profit functions. If these teachings were true, only the thinnest sort of rationalist and individualist ethics might be applicable. In fact, the only ethical judgment admitted by many mainstream economists is to hold sacrosanct the value of free individual choice.

Is Ethics Unnecessary/Impossible?

Conservative, free-market economists furthermore argue that ethical considerations beyond this are *unnecessary*, because the “invisible hand” of markets automatically assures that self-interested actions serve the social good. In contrast, critics from the political left say that incorporating rich ethical considerations in market-oriented systems is *impossible*, because the juggernaut of global corporate capitalism obeys only its own inhuman rules. Because firms are profit maximizers, these critics reason, the capitalist system simply institutionalizes greed and self-interested competition. Ethical action therefore, it is reasoned, requires supplanting this system with something else—something more altruistic and cooperative. If one assumes that businesses are intrinsically mechanical and anti-social, then the idea of “business ethics,” much less “care ethics” in business, seems impossible. But is it?

But what if the economy is not a machine and people in their economic lives are not “economic man”? The feminist analysis described above notes that these beliefs are based, not on empirical study of actual behavior, but on a physics-envy methodological bias and the macho image of the separative self.⁶ There is, in fact, plentiful evidence that these beliefs are wildly off the mark. The biased nature of these beliefs can be examined at three organizational levels: the level of human individuals, the level of businesses, and the level of markets.

⁶See (Nelson 2003) for a discussion of the role of images of “separative” and “soluble” firms in contemporary economic thought.

Individuals Are Not “Economic Man”

Starting with the simplest organizational unit—the human individual—there is, in fact, considerable empirical evidence that people do not leave their feelings, values, ethics, sociality, and search for meaning behind when they enter commercial life. The vast business literature on the psychology of employee motivation, for example, shows that people are complex social animals, even when at work (Herzberg 1987). Research on motivation finds that people are generally motivated by a mix of intrinsic rewards (such as enjoyment or a feeling of contributing to something worthwhile) and extrinsic rewards (such as money or status) (Ryan and Deci 2000). Phenomena of care, including caring about one’s coworkers or customers, caring about the quality of the product or service one provides, or caring about the impact of one’s business on the world, are endemic to well-run businesses—as well as often missing in poorly-run ones (Kusnet 2008). Feminist economists have been especially interested in this topic, since so many women have traditionally been employed in “caring work” such as nursing or teaching (Folbre and Nelson 2000). Of course, other human motivations besides money and caring—including a desire for dominance or revenge, or a desire to maintain rigid hierarchies of race, class, or gender—show up in the workplace as well. The unemotional, a-social employee who gets only disutility from expending effort at work, and utility from pay, is a fiction invented by economists.

Academics may be more likely to acknowledge our own nonpecuniary interests in our work, than the possibility of nonpecuniary interests on the part of business leaders. While we generally feel that we do our work at least partly for the love of knowledge or learning, or for the social good, we may assume that a business person qua businessperson must be interested only in money. But consider how some leaders talk about what they do. For example, David Packard (of Hewlett-Packard) once said, “Profit . . . is not the proper end and aim of management – it is what makes all of the proper ends and aims possible,” with the proper aim being to “make a contribution to society” (Collins and Porras 1994). Others talk about feeling good about providing jobs, needed services in a community, quality bread, path breaking books, interesting innovations, environmental improvements, or express pride in carrying on a legacy or tradition. Don’t most people want to do something worthwhile? Surveys of business leaders suggest that shareholders are often only one of many constituencies considered in decision making (along with workers, communities, suppliers, creditors and so on).⁷

Some executives, of course, have bought into pure “bottom line,” money-oriented, short-term thinking, and blare on loudly about it in the press and in business publishing. And some leaders, it may be objected, may voice interests in jobs or the environment purely as a public relations move. But—speaking here entirely on the level of individual motivations—isn’t there something quite

⁷Jay W. Lorsch and Elizabeth Maciver, *Pawns or Potentates* (1989) as cited in D. Gordon Smith (Smith 1998, 291). See also the discussion in Sen (1983).

dehumanizing about taking the stereotype of the greedy, single-minded Chief Executive Officer and applying it, untested, to all business leaders, simply because they seem to be different from “us”? (And isn’t this even a bit *unethical*?)

Now a further objection, of course, can be raised. One may grant that an *individual* businessperson may be very moral and care a great deal about the social good, but then go on to argue that the *structure* of businesses will either extinguish that impulse (perhaps by causing that person to be fired for poor profit-making performance) or make it ineffective (through procedural or groupthink factors)—because, of course, firms *must* maximize profits.

Businesses

The belief that firms are mechanical profit-maximizers can be hard to overcome. Many believe, for example, that profit maximization is mandated by law. But an actual examination of the relevant legal codes and case law shows that this is not so. The codes say that the purpose of a business is to run a business—profit is generally not even mentioned.⁸ Many state legal codes explicitly state that the interests of stakeholder groups such as employees and customers, long-term interests, and the interests of the larger community, can all be legitimately be taken into account in business decisions (Adams and Matheson 2000). And the belief that directors or executives will be hauled into court if they act on any goals other than profit maximization is quite exaggerated. It is actually quite difficult to remove an officer through legal action (Smith 1998; Nelson forthcoming).

The idea that executives will automatically be sacked if they do not profit-maximize gets far more credence than it deserves. The current business news is, for example, full of cases of financial industry CEOs who are being kept on—and even getting multi-million dollar bonuses—after leading their organizations into ruin. Now, it may not be clear why this is an argument *against* the “profit maximization” dogma, since in many people’s minds the phrases “profit maximization” and “greedy CEOs” seem to point to the same phenomenon. In actuality, though, there is a critically important difference.

Firms are complexly structured social organizations. The owners of a firm, which in the case of a corporation are its shareholders, are in principle the recipients of the firm’s profits. Profits are what is left over after all revenues are gathered in, and all necessary expenses are paid, and the shareholders are supposed to receive them through payments of dividends or through increases in the value of their shares. A corporation has a Board of Directors which is supposed to oversee the management of the firm, and the board in turn hires (and approves the compensation packages for) the top executives who handle the firm’s day-to-day operations. So “profit maximization” or “creating value for the shareholders” should mean *not* paying any more than is strictly necessary to get managerial talent—that is, should

⁸See discussions in Nelson (2006, forthcoming)

require keeping a lid on CEO salaries and bonuses. Shareholders are among the people most outraged by the skyrocketing executive compensation packages of recent decades, as articles in magazines such as *Fortune* attest (Kirkland 2006).

Ironically, the CEO compensation fiasco has developed, in good part, as a direct result of theories based on “economic man.” Not being able to believe that anyone would have sufficient incentive to run a business in the interest of shareholders (and/or employees, customers, the community, society, etc.) for a mere fair and reasonable salary, neoclassical economists suggested giving CEOs stock options and bonuses based on performance. This means that CEO compensation goes up when the price of company shares go up or certain other goals are achieved. In theory, then, their pecuniary interests and the shareholders’ pecuniary interests would become aligned. But if people are opportunistic enough to care only about their own compensation and not about their company, they are also opportunistic enough to figure out how to game this system. And a number have, aiming to maintain a short-term illusion of profitability just long enough to cash in their options, or sitting as directors on each other’s boards and voting each other big bonuses based on meeting routine goals. Others—less opportunistic—have resisted the call.

There are many reasons to believe, right now, that many businesses are ethically broken, and that substantial changes are needed in firm structure, governance (e.g. the composition and duties of the Boards), and regulation to get businesses back on track. But the reason firms are ethically broken is not *because* they automatically “profit maximize.” They don’t. Instead, the belief in “economic man” and narrow goals has itself served, over time, to corrupt earlier notions of business responsibility, in a sort of self-fulfilling prophecy.

A firm is not made up of one individual, with one goal. Rather, it is made up of executives, managers, and workers engaged in a joint activity, embedded in relations with suppliers, customers, shareholders, creditors, communities, governments, the natural environment, and so on. The fields of business management, organizational behavior, and economic sociology would have far less work to do, of course, if businesses were as simple as conventional economics assumes them to be. Business ethicists have plenty of work cut out for them in investigating how businesses can best be structured to carry out their social and environmental responsibilities (Paine 2002). Neoclassical economic dogmas, however, should not be allowed to stand in the way.

Of course, it may be granted that individual *people* and individual *firms* may be essentially human and social, but then argued that *the market* is the ultimate impersonal mechanism.

Markets

Don’t the forces of market competition demand that firms squeeze out every last penny of profit, or they will go out of business? Doesn’t market competition, in itself, reinforce dog-eat-dog competition, values of greed and self-interest, and a race to the bottom on social and environmental protections? There are two flaws in this argument.

First, markets are not, in fact, nearly as competitive as portrayed in the abstract, mechanical model. Wal-Mart, ExxonMobil, IBM, Verizon, Microsoft, and the like are hardly the sort of anonymous, powerless companies that populate the neo-classical theory of perfect competition. The economic conditions they face do not dictate their decisions to them: They normally operate with some “slack”—that is, some excess of revenues over strictly necessary expenses. This slack gives them some room for discretion. They may, as discussed above, pay outlandish salaries to their CEOs—or build sumptuous headquarters, or go on acquisitions binges, or pour money into political campaigns. Or they may raise the wages of their lowest-paid workers, “green” their company, start a company day care center, or invest in impoverished communities. Some of these positive sorts of actions may also, of course, be profitable, but the point here is that with some “slack,” they can also be accomplished even if they are only profit-neutral or somewhat costly. Since many businesses are not on a razor’s edge of competition, their decisions can be made with some discretion. This opens the possibility of realizing that business practices are complex and laden with ethical possibilities and ramifications.

Second, the idea that markets are somehow mechanical also assumes that “the market” somehow exists “it itself,” separable from society and government, and separable from more cooperative social values such as trust and cooperation. Considered from a different point of view, market interactions can be seen to be *entirely dependent* on values of trust and cooperation, systems of social mores, and government laws and regulations. Neoclassical economists imagine that perfectly competitive markets can run well “on their own” because of subsidiary (and often well-hidden) assumptions that actors are perfectly rational, perfectly informed, have perfect foresight about the future, and trade all goods that are relevant for well being. In the real world, in contrast, there are in fact symbiotic relationships between social values and market values, and between governmental activity and market activity.

In order for a trade to take place, for example, the trading partners have to trust each other—that is, trust that the items being exchanged have the value that is claimed for them. Because actors in real life do *not* possess “perfect information,” this requires ethical norms of honesty, backed up by social institutions such as business reputations, ratings bureaus, government regulations concerning disclosure or product quality, and the courts. Market exchange also requires a physical environment that is not unduly polluted or depleted, again requiring coordinated social and political action. The more honest and considerate trading partners are—the more they see their exchange as a cooperate endeavor to benefit both parties and society, rather than a selfish grab—the more smoothly markets can run. Were people to generally display no concern for social cohesion, ethics, or responsibility, and display pure opportunism at every turn, then every economic transaction would need to be tightly policed... and then someone would have to police those doing this policing, and so on ad infinitum.

This applies even on a global scale. Yes, one can certainly point to cases of racing-to-the-bottom, as some corporations seek to locate production in nations with ever-lower wage levels, looser labor and environmental regulations, and lower taxes. But there are limits to such opportunism. Countries and corporations that take this

low road are likely to eventually run into problems of degraded levels of worker health and education, polluted environments, poor public infrastructure, corruption, and/or civil unrest—the very opposite of a healthy “business climate.”

Take away a concern for ethics, and leave markets to “self-regulate,” and the result is a train wreck—as we have learned from the 2008 (and ongoing) financial crisis. Everyone from mortgage brokers to lending institutions to rating agencies followed the neoclassical advice to pursue self-interest, and the result was not market bliss, but market disaster. And while neoclassical economics says that agents are autonomous and rational in their decision-making, the financial crisis has yielded plenty of evidence to the contrary. Asset markets, including markets for housing and financial instruments, are very sensitive to *social beliefs* about the value of the asset involved.⁹ People will often buy an asset based not on some rational calculation of its fundamental worth, but because they have confidence that *other people believe* that the asset is valuable. As the field of behavioral finance investigates, such herd behavior, along with emotional responses such as excitement and overweening optimism, are key elements in the formation of speculative bubbles such as the one we witnessed in the housing market.

Market behavior, then, is not something separate from the social behavior of emotional, embodied, interconnected human beings, but simply another variant of it. Ethical approaches, and coordinated community or governmental forms of management relevant for other aspects of social life are equally relevant to economic life.

Competition and Cooperation

In order to keep this in mind, it may be helpful to deconstruct dichotomous thinking about competition versus cooperation. Competition refers to trying to do as well as or better at something than someone else, while cooperation refers to coordinating activities with someone else in a joint effort. The usual view is that one precludes the other, and that market-oriented capitalism is all about competition. Instead, thinking about them as complementary phenomena that each have both positive and negative aspects, may be more helpful, as illustrated in Fig. 2.4.

competition	cooperation
race-to-the-bottom	collusion

Fig. 2.4 Competition and Cooperation in the Gender-Value Compass

⁹This is true also about an asset often thought to be cold and impartial: *money*. For discussion, see Nelson (2006)

Competition can have positive aspects because—as economists are right to point out—it can give people incentives to be creative, hard-working, and look for ways to produce things more cheaply. Of course, the form of the competition makes a big difference. Innovation in the form of creating a new cure for disease can increase human welfare, while innovation in the form of new opaque and deceptive financial instruments decreases it. Cutting costs through increased energy efficiency is generally a good thing, while cutting costs by cutting the wages of the poorest workers in a race to the bottom is not. But what this leads back to is exactly the point that ethics—ethics of honesty, and ethics of caring about the wellbeing of flesh-and-blood human beings—cannot be avoided in economic life. Competition is not “structurally,” by its nature, good or bad: It is as good or bad as we make it.

While cooperation tends to carry positive connotations of harmony and helpfulness in working for the social good, it is important to note that cooperation can also have bad consequences. In economic life, it can take the form of collusion and exclusive deals among companies, which are the very things that undermine the healthy aspects of market competition. Too-close cooperation between businesses and government gives us the military-industrial complex, as well as Congressional actions that exclusively serve Wall Street constituencies. As in life in general, when “the social good” is defined over too narrow a social group, cooperation means the solidarity of “insider” groups who may serve themselves at the expense of “outsider” groups. Feminist and civil rights activists had to struggle for decades, for example, to crack the highly cooperative white-male-solidarity behaviors that prevailed among employers and union leaders, in order to allow women and minorities the chance to compete for jobs.

The positive complementarity between competition and cooperation arises because, as pointed out above, a spirit of cooperation between buyers and sellers, and between businesses and governments, is just as necessary as competition for successful market functioning. But neither competition nor cooperation on its own, or any naïve mix of the two, is “structurally” good. The devil is in the details, and only specific, applied ethical evaluation can help us judge economic phenomena as more or less worthy of approbation.

Too Easy on Corporations?

Does the fact that I have not roundly condemned global corporate capitalism mean that I think believe that things are good as they are? Of course not. Inequalities within and between nations are at levels that are totally morally unjustifiable and socially insupportable. Problems of climate change and other environmental consequences of our current fossil-fuel-based economics of production have driven many species to extinction and threaten our human future. Lucrative international trade in arms and drugs threatens stability everywhere. Concentrations of wealth and concomitant political power turn democracy into a sham.

One should, however, be leery of touting the benefits of businesses simply being local, non-profit, or small, as “structural” ways of assuring good behavior.

“Local” can mean community-responsive, but it can also simply mean parochial and narrow-minded. Non-profit versus for-profit status may be more a matter of legal charters and tax filings, than of actual motivations or behaviors of complex organizations. (Witness, for example, the recently skyrocketing, corporate-CEO-mimicking, salaries of presidents of nonprofit colleges.) “Small” can be good when it means breaking up excessive concentrations of power, but it may also mean “too small” to do much good, or to create a beneficial countervailing, competitive counterweight to other more powerful interests. We can also be reminded by feminist scholarship that small, local, organizations dedicated to goals other than profit are not necessarily well-behaved: While, for example, “the family” is often idealized as a small scale organization based on love and connection, feminists are only too aware of the women and children crowding domestic violence shelters.

What my analysis claims is that we do not have to resign ourselves to our contemporary serious economic problems because “that’s the way the system works,” nor seek to jump from our present economic structures to something completely different before we can begin to address them. The myth that economies are machines essentially gives business leaders, workers, consumers, and investors operating within current system an ethical “free pass”—one can always fall back on the excuse that “the system made me do it.” A better understanding of the role of justice and care in economic life instead demands commitment to ethical reflection and action in economic life, right here and right now.

Conclusion

The title of this volume, *Applying Care Ethics to Business*, might seem to imply that care ethics arises from somewhere outside of business, and must be brought in from the outside in order to be applied. This essay has argued, in contrast, that the image of businesses as immune to ethical concerns and operating outside of normal social relations is a fiction invented by a particular lineage of economic theorists. The fact that this fiction has been accepted by so many is supported by culture-wide rigid and gender-biased patterns of thought.

Business and economic life are part of social and ethical life. Justice and care are orientations that can be used by both men and women to address the dilemmas we face in our lives together on this planet. Can we be agile enough in our thinking to get over old dichotomies, and put our capacities to good use?

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