Pro-Market Versus Anti-Market Approaches to Business Ethics

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Nicholas Capaldi

Abstract

Within the field of business ethics there is a conflict or at least a tension between those who have a favorable attitude toward business and those who exhibit an adversarial attitude toward business. More precisely, we summarize *the conflict between pro-market and anti-market approaches to business or commerce*.

Introduction

A *market economy* is one in which (a) there is private property, (b) there is no central allocation of resources, and (c) prices are determined competitively by supply and demand. Pro-market is here understood as favoring a market economy, wherein the role of government is to protect property rights, enforce contracts, and provide for contractual dispute resolution. Pro-market approaches generally assume that the norms of a market economy are either primary or at least consistent and coherent with the norms of other institutions (government, law, family, religion, etc.). One can be pro-market without being pro-business; that is, one could be a supporter of the norms of a market economy without being an apologist for every practice of every business precisely because some business people will engage in practices that undermine the market economy.

Anti-market approaches are critical of markets either because they see internal contradictions in a market economy or they allege that market norms are in conflict with more fundamental norms (social, political, religious, etc.). Anti-market writers rarely identify themselves as anti-market; such self-designation would be fatal to employment in a business school. Nor do such writers even see themselves as

N. Capaldi
College of Business Administration, Loyola University, 6363 St. Charles Avenue, New Orleans, LA, USA
e-mail: Nick.capaldi@gmail.com

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anti-market. On the contrary, some of them such as Edward Freeman and Tom Donaldson insist that they are pro-market. What makes these writers anti-market is (1) their opposition to the policy that the primary object of business is to make a profitable product or service; (2) their insistence that business should achieve or help to achieve "other" overriding goals; (3) their identification of something as a business ethics "problem" because of a conflict between profitability and other goals; (4) their insistence that the alleged problems require resolution through nonmarket structures such as government regulation or a restructuring of corporate governance—in essence, the insistence that businesses function not like economic institutions but more like political, religious, or even academic institutions; (5) their appeal to abstract concepts drawn from a wide variety of disciplines other than economics.

No one questions whether there are other goals besides making profitable products and services. What is at issue is: (a) What are these other goals? (b) How are these goals to be prioritized? (c) How are these other goals related to the goal of producing profitable products and services?[1] Clearly, there is no consensus on answering these three questions. There is a background debate which can be characterized as a debate between rival visions of political economy [2].

The origins of Business Ethics, a relatively new field coming into prominence in the 1980s, clearly reflect its anti-market bias. "The field of business ethics was destined to be economically and politically liberal. . ..The field's business school roots can be traced back to the University of California-Berkeley in the 1960s, where many of the first leaders of the nascent Business and Society field worked or were trained. Early research in this area focused on corporations' 'social responsibilities' and sought economic reforms to assuage the inequalities perceived to be inherent in capitalism. These liberal scholars, resident in business schools' Management departments, helped to establish the broader 'social issues in management' field that later spawned the more specialized area of business ethics" [3].

The Academic Context of Business Ethics

If one were to take an intellectually unbiased approach to any practice one would ask the practitioners what are the inherent norms of that practice. In addition, one could note that commerce has been around for centuries so one could ask the historical question of how those norms have evolved over time. Or, one could ask if the norms vary with place or culture and describe how various present-day cultures instantiate various normative frameworks. In the first instance one could consult business persons; in the second instance one might consult historians; in the third instance one might study comparativists. None of this was done in the specific field of business ethics. Instead, business ethics immediately became an academic discipline, but of a peculiar type.

During the 1960s and 1970s, the public (or those who claim to speak on its behalf) underwent an important sea change. Deliberation about ethical matters and initiation into ethical decision making had largely been left to centers of cultural authority that operated quite independently of the academy: religion, the family, the professions, and other intermediate institutions. For a variety of reasons, these traditional centers of authority were discredited and institutional leaders were persuaded that there were "ethical experts" [4]. The question is where does one find ethical experts?

By 1980, business schools had already become "professionalized." In 1959, the Ford Foundation [5] and the Carnegie Foundation [6] had completed studies urging that (a) business education in general become more academic and less tied to practitioners and (b) there be the implementation of a "management science" based on the application of theory to practice [7]. The Management discipline is the primary locus of the field of business ethics in American business schools. The people who teach business ethics largely come from two backgrounds: philosophy and management.

Let us examine management first. Most of the PhDs in Management have a social science background. Traditionally, the social sciences have encouraged empirical studies, and to engage in such a study with regard to ethics would involve such things as an analysis of how business-people make moral decisions much the same way as marketers study consumer preferences. This purely traditional approach does not challenge the status quo of current ethical decision making; nor does it by itself reflect a normative management science – something that professionals could authoritatively teach business practitioners. Something more is needed – what that is will reflect developments in philosophy. In short, it will be the evolution of intellectual developments in philosophy that made the idea of normative management science tenable.

Prior to 1970, professional philosophy had treated ethical issues in an unpromising fashion: either professional philosophers had construed their task as meta-ethical (clarification of ethical discourse) or they were content to point out the difference between facts and values in a way that precluded a normative science of ethics. All of that changed during the 1970s and is best represented in the work of John Rawls, who published *A Theory of Justice* in 1971 [14]. From then on, philosophers felt themselves empowered to engage in normative work. Medical ethics and business ethics became the two growth subfields in philosophy. Utilitarians, Kantians, and virtue ethicists (Aristotle) developed elaborate methodological terminologies and did not hesitate to apply these conceptual schemes to the resolution of a whole host of public policy issues. During the 1970s, 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.

What accounted for this vast sea change? The intellectual answer is the domination of the culture by the belief in the existence of an authoritative and viable social technology. This belief is an expression of the Enlightenment

Project (EP) [8]. *The Enlightenment Project is the attempt to define, explain, and control the human predicament through the use of scientific technology.* The argument went something like this: Since Galileo and Newton, among others, physical science has been successful in explaining, predicting, and controlling the physical universe. There must be an analogous social science that will enable us to explain, predict, and control the human and social world, that is, produce a social technology, and thereby solve all human problems and bring about a utopia, a heaven on earth. Speaking of heaven, Christianity had been continuously embarrassed by claiming that certain scientific views were illegitimate (e.g., Galileo's trial and Darwin), only to find that we now live in a post-Christian or secular society. The new EP social science even claimed to explain how religious belief was a form of pathology. The long march of the EP from eighteenth century French intellectuals to nineteenth century positivism to complete domination of the universities in the twentieth century was aided by the spectacular scientific (e.g., "Sputnik" and the conquest of space in the 1960s) and technological advances (e.g., triumph of pharmacology in psychiatry) post World War II. Almost everyone now went to college, and no one could be taken seriously in any field without a college degree, and colleges and universities trained all the professions including opinion makers in the clergy and media. Universities controlled the commanding heights of communication.

What the EP does is to explain both how there can be management science and how social scientists and philosophers can engage in normative theorizing and education. We can not only explain what ought to be done but even educate students to do the "right" thing – after all education could be conducted scientifically. *Exactly how does the EP accomplish this?*

There are two versions of explanation in physical science: elimination and exploration. In *elimination* we substitute new ideas for older ones. An example of elimination is the replacement of Ptolemy's geocentric view of the universe with Copernicus' heliocentric view of the universe. This is useless in the social sciences because social theorists, at least on the surface, claim, initially, to be explaining our values, not immediately replacing our values.

In *exploration*, we begin with our ordinary understanding of how things work and then "explain" what is behind those workings. In time, we change our ordinary understanding. The new understanding does not evolve from or elaborate the old understanding, but replaces it by following out the implications of some hypothetical model. The replacement "explanation" appeals to underlying structures. An example from physical science is the atomic theory to explain chemical behavior or the behavior of gases.

Exploration is the preeminent mode of explanation in social science. By alleged analogy with physical science, social scientists seek out the hidden structure behind the everyday understanding of social activities. Marx and Freud are historically prominent examples of social scientists who sought to reveal a hidden structure behind everyday activities. Exploratory explanations seek the formal elements underlying the everyday world rather than believing that the everyday world can constitute its own level of understanding.

The problem with both elimination and exploration is that there is no way to confirm or disconfirm an elimination or exploration in the social sciences, that is, we never reach a structural level that is observable with advanced technology. Instead, one fashionable terminology replaces another. It is an intellectual carrousel on which the riders and the tunes change, but there is no progress. There are no formal criteria and no consensus that helps us to choose among competing explorations. Social theorists are obliged to appeal to informal criteria or intuitions about which hidden structure hypothesis "better" captures our ordinary understanding. There is, of course, no independent way of establishing this. The prominence of Richard Rorty and his view that philosophy is an interminable conversation of incommensurable voices reflect this situation.

Nevertheless, exploration became the preeminent mode of explanation in contemporary philosophy, and eventually in business ethics. An example is utilitarianism. Utilitarianism begins with the hypothesis that utility maximization is the underlying structure of our ordinary moral judgments. This is supplemented by the further hypothesis that there is a timeless and transcultural biological substructure to such judgments, namely, maximizing pleasure and minimizing pain. The substructure claims such explanations exhibit realism, causality, deductivity, and empirical verifiability. Although the ordinary moral judgments remain epiphenomena that do not exhibit law-like behavior, the underlying substructure allegedly permits scientific exploration.

There are two objections to exploratory philosophical theories. We will use utilitarianism as an example, but this applies to all so-called philosophical theories. First, some will deny that utility is a principle sufficient to capture our ordinary moral intuitions; this reflects what moral intuitions a specific theorist takes to be part of the core and what the theorist takes to be peripheral. Substantive moral disagreements will always lead to disagreements about hidden structure. Second, some will deny that there is a transcultural and timeless substructure. To an outsider it begins to appear as if the hidden structure hypothesis is no more than a rationalization for a private agenda. In any case, there is no external way to confirm or disconfirm any hypothesis and no way to choose among rival hypotheses. What this reflects is that the theorist is offering a "higher"-level exploratory hypothesis about other people's exploratory hypotheses. But choosing among competing "higher"-level explorations involves us in an infinite regress.

Faced with this impasse, some, like Foucault, have been led to argue that the process is simply a power struggle. A recent development is the appearance of an anti-market approach drawn from Continental European philosophical sources. There is now an International PhD program at Lund University, Sweden, called Critical Management Studies. Critical management studies problematize the status quo. They focus on the "darker" side of business and organizations. Critical theory includes the Frankfurt School and related authors and lines of thought such as Foucault, critical poststructuralism, certain versions of feminism, and so on.

What we are left with is the following. Not only are there significant moral disagreements, most of these controversies cannot be resolved through sound rational argument. Either we have different foundational commitments or we have different rankings of the good. Resolution is not possible without begging the question, arguing in a circle, or engaging in infinite regress. Neither can we appeal to consequences without knowing how to rank the impact of different approaches with regard to different moral interests, nor appeal to preference satisfaction unless we already grant how we shall correct preferences and compare rational versus impassioned preferences, as well as calculate the discount rate for preferences over time. Any appeal to disinterested observers, hypothetical choosers, or hypothetical contractors also fails. Disinterested deciders will choose nothing. Intuitions will always be met with contrary intuitions.[2] There is no good reason to believe that these debates can be brought to closure in a principled fashion. As Alasdair MacIntyre put it, "There seems to be no rational way of securing moral agreement in our culture" [10]. The partisans of any position find themselves embedded within their own discourse, unable to step outside of their own respective hermeneutic circles without embracing new and divergent premises and rules of inferences.

Note should be taken of an alternative not subject to the dysfunction of exploration, namely, the form of reflection (not theorizing) we call "explication." All reflection is ultimately reflection on primordial practices that existed prior to our theorizing about them. Explication is a mode of understanding social practices which presupposes that all such practices function with implicit norms. To explicate a practice is to make explicit the implicit norms. The closest analogue to explication is case law in Anglo-American jurisprudence. In explication we try to clarify that which 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. We do not change our ordinary understanding but rather come to know it in a new and better way. Explication is a way of arriving at a kind of practical knowledge that takes human agency as primary; it mediates practice from within practice itself. Explication is inherently pro-market because it takes the market economy as the given to be explained in its own terms.[3]

Many failed to grasp the implications of this impasse; others promised in a variety of ways to overcome it [13]. Needless to say, there is no consensus either inside or outside the discipline of philosophy. None of this deterred professional philosophers and others from engaging in normative pronouncements.

Under the guise of ethical "theorizing" many contemporary philosophers and others employed concepts from classic famous philosophers such as Aristotle, Kant, or Mill. The liability of this mode of generic theorizing is that it begins with very abstract principles and then seeks to apply them to specific ethical issues. It is a liability because in the application the theorist must make additional assumptions so that the original abstract principle can be used to arrive at any and all conclusions. In the case of Aristotle, for example, one can reinterpret Aristotle through a specific version of "Thomism," as MacIntyre does, and end up with a quasi-Marxist critique of market economies; or, as Robert Solomon did, reinterpret Aristotle as a communitarian; or in the case of Elaine Sternberg, Douglas Den Uyl, and Douglas Rasmussen, we arrive at an admittedly neo-Aristotelian but pro-market view. John Hasnas can be described as a pro-market Kantian. There are also philosophers, like Machan and Mack, who use the clearly pro-market position of Ayn Rand (itself a version of Aristotle) as a starting point for business ethics.

The predominance of exploration in the field of business ethics is best exemplified by the influence of Rawls. John Rawls offered an exploration in his book *A Theory of Justice*. He does not start with an explication of existing practice but with an imaginary original position. He is not interested in where we are and how we got there but where we ought to be. In the hypothetical "original position" we choose principles of justice "behind a veil of ignorance," without knowledge of "[one's] place in society, his class position or social status; nor does he know his fortune in the distribution of natural assets and abilities, his intelligence and strength," even one's sex [14].

Rawls is anti-market in the following senses: he is an egalitarian[4]; he asserts that we should never be tempted to exploit our differences[5]; he rejects "excessive" inequalities of wealth; "[s]ocial and economic inequalities" are to be to the greatest benefit of the "least advantaged" *(Difference Principle)*,[6] a response to socialist concerns about equality; finally, he specifically attacks Nozick's libertarianism because it does not guarantee all citizens sufficient means to make full and effective use of their basic liberties. The influence of Rawls on business ethics can be seen prominently in the work of Thomas Donaldson [15, 16] and Christopher McMahon [17]. Starting from a hypothetical contract, Donaldson argues that Corporations acquire social responsibilities beyond the creation of wealth and jobs. McMahon advocates codetermination that requires legally binding boards of directors to be composed in equal parts of representatives of employees and investors. McMahon's work is cited by Denise Rousseau [18] who has a political agenda that is 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."[7]

The Predominance of Anti-market Approaches

There are pro-market explorations in contemporary philosophy. Robert Nozick in *Anarchy, State, and Utopia* (1975) also offers an exploration, but it is pro-market. Nozick postulates a Lockean state of nature without a contract. Primarily focused on the insecurity of individual rights in a free market, human beings are led by an *invisible hand* to join in protective associations with the state emerging as the dominant protective association. The major obligation of the state is to provide protection against force, theft, and fraud and to enforce contracts.

One might expect the field of business ethics then, or at least the philosophical oriented part, to be roughly divided between pro and anti-market explorations. That turns out not to be the case. "Although Nozick's negative rights theory is now often noted briefly in textbooks' overviews of rights theory, it is virtually never used as a basis for ethical argument in the business-ethics literature."[8] On the contrary, business ethics explorations are overwhelmingly anti-market. Why is that the case?

First, since the nineteenth century [19], intellectuals [20] in general and academics [21–24] in particular have been highly critical of markets and market-oriented cultures and societies.

Second, many contemporary intellectuals see themselves in an adversarial position to an alleged market-society which they insist upon characterizing as being run by a conspiratorial and dangerous "establishment." C. Wright Mills, in his 1956 book, *The Power Elite*, described the establishment as follows:

> The power elite is composed of men...in positions to make decisions having major consequences.... [T]hey are in command of the major hierarchies and organizations of modern society. They rule the big corporations. They run the machinery of the state and claim its prerogatives. They direct the military establishment. They occupy the strategic command posts of the social structure, in which are now centered the effective means of the power and the wealth and the celebrity which they enjoy [25].

In his book *Biz-War and the Out-of-Power Elite*, Jarol Mannheim [26] argues that intellectuals who followed Mills have built a shadow counterpower structure and are actively engaged in a "social network" war against business. The counter-structure consists in (a) infiltrating and redirecting[9] philanthropy (contrary to donor intent) to (b) sponsoring tax-exempt foundations that support the conducting of research in universities and left-leaning think tanks, which in turn (c) provide the intellectual legitimation to alter public opinion through influence on the media which eventuates in (d) changes in the law that limit markets.

We cite as an example of this ingrained hostility a statement by George Brenkert, long-time editor of *Business Ethics Quarterly* in an essay 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 [27].

Third, Schools of Business are mostly housed within universities, and universities are dominated by the political left [28, 29]. This domination reflects in part both the general adversarial attitude of intellectuals to commerce and the EP which encourages the belief in a social technology overseen by academic experts.

While schools of business in general are more centrist, business ethics programs in particular are housed within the management area. Management personnel, and to a less extent marketing faculty, are generally much further to the left than faculty in accounting and finance. Given their social science background and proclivity with its focus on alleged institutional structures, management faculty focus on the structure of highly centralized and large organizations like major corporations; this, despite the fact that the overwhelming majority of business school graduates will never work for such organizations.

I cite two writers who call attention to this anti-market bias. First, Marianne Jennings [30] argues that the AACSB (American Association to advance Collegiate Schools of Business) guidelines on curriculum and instruction contain little in the way of substance and reflect the sort of bias against the market economy that prevails elsewhere in the university. Second, James Hoopes [32] has given a broad but critical historical overview of the management literature of the twentieth century, a review in which he documents the unwillingness of management gurus to see profit as legitimate unless subordinated to another goal.

One specialty within business ethics is the subfield of Corporate Social Responsibility (CSR). Pro-market approaches to CSR link various kinds of business philanthropy to its contribution to the bottom line. This is routinely dismissed by anti-market writers as not really CSR [31].

Anti-market approaches to CSR are dominant. This hostility is fueled by a traditionally leftist understanding of the social world and its problems: going back to Rousseau's critique of Locke, the present world allegedly reflects an unfair bargain in which the haves (as perceived by some) have imposed an unfair system on the self-perceived have-nots. At the same time, the post-1989 left has become understandably disenchanted with Government planning and control of markets. It is now much more favorably inclined to democracy, while at the same time being mindful of how democratic governments are corrupted by special interest groups and collusion between big government and "big business". This anti-market version of CSR appeals to a kind of triangulation in which civil society is the dominant element. Civil society allegedly is represented by NGOs, that is, so-called nongovernmental organizations (foundations, think tanks, philanthropies, charities, overtly activist organizations, etc.). NGOs will presumably solve social problems through a redistribution of wealth and power carried out within a market society and through market mechanisms. The market mechanisms here are large and usually multinational corporations. They focus on big corporations both because these private organizations have substantial financial resources and because, going back to the classic of Berle and Means, there is recognition and exploitation of the insight that managers are not owners. NGOs seek to drive a wedge between stockholders and stakeholders and exploit the agency problem on behalf of various selected stakeholders. NGOs expect managerial cooperation for three reasons: managers are worried about bad publicity, litigation, and the threat of outside agitation; there is a new kind of celebrityhood available to managers who are cooperative or enablers; and they fully expect to train future managers (not entrepreneurs) to become compliant and in turn this will increase the power, prestige, and rewards of business school faculty and law school faculty. In all of this, there is a new and rising ruling class: NGOs staffed by intellectual leftists (academics and law school graduates primarily) who offer to mediate the relation of corporations with each other and government and all other institutions. The best example of this is Peter Drucker who placed his final hope in a society "where nonprofits rather than corporations will create a morally legitimate system of management".[10] Anti-market advocates of CSR never specify an overall program, but remain a loose federation freed of the burden of providing a comprehensive alternative program.

Specific Issues in Business Ethics

Nature and Purpose of the Publicly Traded Corporation

This is the fundamental issues: *almost everything follows from this, and that is why the Friedman versus Freeman debate is crucial*.[11]

Pro-market: *the major function of such a corporation is to make a profitable product or service (thereby creating both wealth and jobs)*. Corporations (or firms) are to be understood as enterprise associations within a larger civil association. A corporation is an enterprise association, that is, individuals are voluntarily involved in the pursuit of a common substantive purpose, specifically a productive undertaking: "…interminable engagement in the continuous promotion or protection of an enduring interest. The response sought…[is] that of others not thus associated as a productive enterprise seeks buyers or consumers…" [35]. The common purpose cannot be "equality" or "fulfillment," etc., because these are not substantive purposes. As an enterprise association, a corporation cannot have two or more discrepant purposes; if there are multiple purposes, then they must be prioritized or systematically related. *From this it follows that economic efficiency trumps all other considerations*. For market advocates, this issue was decided long ago (1918) in US Corporate Law by *Dodge v. Ford Motor Co*. The primary fiduciary responsibility of managers is to their shareholders. "[I]n the United States and the United Kingdom the vast majority of managers (76 percent and 71 percent, respectively) took the view that the corporation belonged to the shareholders. In sharp contrast, in Germany 82.7 percent of senior managers thought their company belonged to all of the stakeholders. France was not much different with 78 percent…. In Japan an astonishing 97 percent of managers thought that the company belonged to all stakeholders" [36].

This is not to say that making a profit is the only thing that matters; nor does it say that one must make a profit not matter what, or that the end justifies the means. As Friedman put it, "to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."[12]

Anything which contributes to the bottom line is OK, otherwise not. So, for example, discrimination works against efficiency and is therefore bad; certain forms of corporate philanthropy might contribute to the bottom line and are therefore good; others do not. Surely this will vary with the individual industry, company, etc.

Advocates of the market see the potential of an infinitely expanding economy (Simon) powered by private property and competition among individuals and individual corporations in a market where sellers try to satisfy buyers. The market does not have an overall goal; it exists to satisfy the self-defined interests of the participants. In a true market, there will be winners and losers, but the interests of all concerned will be maximized over time. By maximizing the creation of wealth, the market provides both the maximization of present and future economic opportunity for all and the resources with which private individuals and other institutions can address other nonmarket issues.

Social problems are to be addressed primarily by other institutions. Once another objective(s) is added to the bottom line then the question of the relation or prioritization of that objective becomes relevant. As the Business Round Table put it:

> The weakness of the stakeholder model is the absence of an overall objective function which implicitly or explicitly specifies the tradeoffs from expenditures on various items, including each of the firm's stakeholders. This in turn implies that the top managers of such organizations cannot be held accountable for their decisions because without an overall objective function, there is no way to measure and evaluate their performance. . .it would leave the board with no criterion for resolving conflicts between interests of stockholders and of other stakeholders or among different groups of stakeholders.[13]

Anti-Market advocates want the USA to be more like the EU and Japan. The Corporation *should* be viewed as a social entity [37–39]. This is exemplified in Freeman's focus on the stakeholder. To date, different and sundry anti-market authors do not offer a comprehensive account of what the other objectives should be or how the list of other objectives is to be prioritized.

Absent such a comprehensive account, we suggest that anti-market advocates need to provide an account of the economy in which it would have an overall (collective) goal to which the interests of individuals and individual corporations are subordinate. This does not have to be a planned economy but a highly regulated one in which conflicting interests are continually adjusted through nonmarket mechanisms. Anti-market critics do not have a clear and coherent alternative, only a laundry list of aspirations. They know what they are against but not what they wish to substitute for it.

With regard to growth, anti-market writers either deny (e.g., finitude of resources or transformation of the environment, discussions of "sustainability") 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.

Relation of Government to the Corporation (Regulation, Environment, Globalization, and Property Rights)

Pro-market: The major purpose of the government is to protect property rights and punish the use of force and fraud. Injuries to third parties can be handled through negotiation and litigation (torts). Most if not all government regulations are counterproductive. Globalization is the gradual (and grudging) acceptance of the USA and UK model of free markets, limited government, the rule of law, and a culture that promotes individual initiative.

Anti-market: The best argument on why regulation fails was written by Cass Sunstein [40] (Obama's regulatory Czar), but Sunstein thinks we can learn from this how to make regulation work! The Environment (notice the capital "E") is a global ecological responsibility which cannot be adequately addressed by either markets or individual nation-states. The Environment requires that we conceive of the world as an enterprise association (collective goal) requiring either world government with world regulatory authority or the modified view of civil society discussed earlier under CSR. Globalization is the world as enterprise association. Property rights may be overridden in the new globalization [41]. 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 [42]. What we witness here is the replay of the argument of the perceived "have-nots" against the perceived "haves".

Responsibility of Management to Employees

Pro-market: Employment at will is a good thing because it encourages entrepreneurs to take the risk of starting new businesses and it allows employees to find better positions. Affirmative Action is a good thing if it seeks out the best employees, but it's a bad policy if it requires that hiring, promotion, and firing be done to achieve other social objectives. In the latter sense it is actually illegal. Sexual harassment is illegal and counterproductive. Workers in foreign countries should not be abused, but they should be paid market wages in their country. Finally, executive compensation should be determined by market forces – supply and demand.

Anti-market: Employment at will is bad; workers should be granted a form of tenured job security. Firing would have to be justified at an "official" (expensive) hearing. On this, see P. Werhane who consistently takes the anti-market line [43]. Affirmative action as something akin to quotas should be the policy. Both affirmative action and sexual harassment get redefined as diversity. The expression "sweat shop" is expanded to cover not only inhumane treatment but paying wages on a local scale rather than home-based scale.

With regard to executive compensation, anti-market writers maintain that either (a) present compensation is the result of force and fraud or (b) there is no true market because of the existence of unequal bargaining power, that is, present distribution of resources is the result of historical accident and not a market. These writers may opt for (a) starting over or (b) constant regulatory oversight. What we witness here, again, is the replay of the argument of perceived "have-nots" against the perceived "haves".

Responsibility of Employees to Management

The extant literature is almost wholly anti-market. There is rarely any discussion of what employees owe management. Most of the literature focuses on when employees should blow the whistle or whether there should be insider trading. Pro-market writers favor inside trading (on economic efficiency grounds); anti-market writers oppose it (on grounds of fairness).

Market "Failure"

Pro-market advocates maintain that (a) free markets do not fail, (b) part of a market's functioning is to eliminate through competition less efficient or fraudulent entities, and (c) inevitably government regulation or agendas provide the distortion or incentive for "bad" behavior.

Anti-market advocates trace everything back to the original conception of a market as a place where individuals are encouraged to pursue their self-defined interest. Milton Friedman is cited as the author of an amoral ideological management theory that frees students from any sense of moral responsibility [44]. There is, of course, no empirical evidence to substantiate this claim [45], but this is not about evidence but ideological perspective. Anti-market writers generally subscribe to some version of environmental determinism (an essential component to the idea of a social technology based on social "science"). Hence there is a tendency to attribute many problems to advertising. Pro-market writers think that consumers should exercise some responsibility for choices and that parents should be responsible for monitoring that to which children are exposed (social problems to be addressed by other institutions and not the market). Curiously, there is little discussion of what it means to be a fit participant in a market economy. Anti-market writers, again on the assumption of environmental determinism, never consider it a failure on the part of the participant – the blame is always placed on institutional structures – that is, the market.

Teaching Business Ethics

Pro-market proponents take as their major responsibility explaining how markets operate, what the norms of market activity are, and how those norms relate to other nonmarket norms. If those proponents think market norms are fundamental to all norms, they need go no further. If some of those proponents believe that other norms are more fundamental but that market norms are consistent and coherent with the fundamental nonmarket norms, they can present such a case.[14] Getting students to take the whole package seriously and to internalize those norms is a more complicated task and involves the whole educational system.

Anti-ma.rket proponents take as their major responsibility the exposure of the "failure(s)" of markets (pro-market writers would describe this as "business bashing"). It would also be part of their responsibility to advocate market reforms and actively lobby for those reforms in the classroom. Anti-market proponents are not merely scholars and teachers but consider themselves as participants in a larger drama – to teach business students is to get them to internalize anti-market norms.

Conclusion

Table 62.1

Issue	Pro-market	Anti-market
Narrative	Liberty	Equality
Politics	Civil association[15]	Enterprise association[16]
Legislation	Equality of opportunity	Equality of result
Law	Rule of law	Distributive justice (fairness)
Role of the government	Protect property rights; enforce contacts; resolve contractual disputes (litigation)	Regulation for common good; protect third parties
Corporation	Nexus of contracting individuals [46]	Social entity
Purpose of publicly traded corp	Profitable product or service (economic efficiency)	Serve the common good
Board of Directors	Technical expertise for advice and consent	Represent all stakeholders
Role of management	Primary fiduciary responsibility is to creditors and shareholders	"Multi-fiduciary" duty to stakeholders within the social good; priority of distribution over production
Relation of management to Employees	(a) Contractual autonomy; (b) hierarchy; (c) internal entrepreneurship	Democratic participation
employees	(a) Employment at will; (b) right to work; (c) meet contractual obligations	(a) Collective bargaining; (b) whistle-blowing
Insider trading	Yes – enhances market efficiency	No – incompatible with fairness
Foreign outsourcing	Yes – improves productivity	No – "sweatshops"
Executive compensation	Supply and demand	Fairness
Affirmative action	To improve productivity	To improve fairness and diversity
CSR and philanthropy	If it contributes to bottom line	Serve the common good

Cross-References

▶ A Marxist Ethic of Business
▶ Adam Smith on Morality and Self-Interest
▶ David Hume and the Scottish Enlightenment
▶ Kant's Categorical Imperative and the Moral Worth of Increasing Profits
▶ The Idea of a Contractarian Business Ethics
▶ Utilitarianism

Notes

1. Friedman makes the larger case that without market freedom all other freedoms would disappear. [1].
2. This argument was originally made by Engelhardt [9].
3. Explication is exemplified in the works of Marcoux Capaldi [11, 12].
4. [14], p 10. "…an initial position of *equality* [italics mine] as defining the fundamental terms of their association."
5. [14], p 151 "everyone's well being is dependent upon a scheme of cooperation without which no one could have a satisfactory life…." (See also pp 522, 527, 570–577).
6. [14], p 75.
7. [18], p 116.
8. Ryan, L. op. cit., p 38.
9. "Responsible Wealth" is a project of United for a Fair Economy that recruits and trains wealthy individuals in philanthropic activism.
10. Quoted in [32].
11. Both of these classics are widely reprinted [33, 34].
12. Friedman, op.cit.
13. "Statement on Corporate Governance," September 1997, pp 3–4.
14. See note 11.
15. Advocates of a civil association recognize a common good understood as the procedural norms that permit individuals to pursue their private goods; as such, the common good is not a collective entity.
16. Advocates of an enterprise association understand the common good as a substantive entity, specifically a collective good which subsumes the good of individuals.

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