

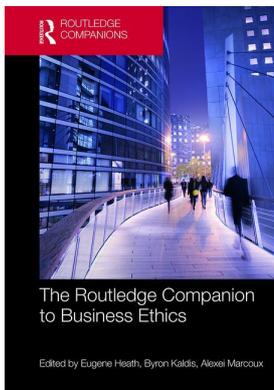
This article was downloaded by: 10.3.98.104

On: 26 May 2020

Access details: *subscription number*

Publisher: *Routledge*

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: 5 Howick Place, London SW1P 1WG, UK



The Routledge Companion to Business Ethics

Eugene Heath, Byron Kaldis, Alexei Marcoux

Theory and method in business ethics

Publication details

<https://www.routledgehandbooks.com/doi/10.4324/9781315764818-5>

Nicholas Capaldi

Published online on: 19 Feb 2018

How to cite :- Nicholas Capaldi. 19 Feb 2018, *Theory and method in business ethics from: The Routledge Companion to Business Ethics* Routledge

Accessed on: 26 May 2020

<https://www.routledgehandbooks.com/doi/10.4324/9781315764818-5>

PLEASE SCROLL DOWN FOR DOCUMENT

Full terms and conditions of use: <https://www.routledgehandbooks.com/legal-notices/terms>

This Document PDF may be used for research, teaching and private study purposes. Any substantial or systematic reproductions, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The publisher shall not be liable for an loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

Theory and method in business ethics

Nicholas Capaldi

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

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

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

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

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

Hostility to business and business ethics

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

The argument for entrepreneurship and an entrepreneurial society is for a society in which some sub-set will provide leadership . . . the entrepreneurs will be the spark plugs, as it were, of this economy and society. Instead, then, of a Platonic society, which looked to its philosopher kings, our entrepreneurial society will look to its entrepreneur bosses.

(Brenkert 2002: 17; see also McDonald 2017)

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

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

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

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

Business ethics¹ as a field within business schools originated in the 1960s at the University of California–Berkeley, where many in the “Business and Society” field were trained (see Epstein 1999 and Carroll 2008 on the importance of the 1960s). The early focus of business ethics centered on corporate social responsibility and social reform of the inequities of capitalism (Jones 1980). Members of Management departments initiated the Social Issues in Management division within the Academy of Management.

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

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

Currently, business ethics programs in American business schools reside mostly² in the Management discipline, with faculties drawn from two backgrounds: Philosophy and Management. The PhDs in Management reflect a social science methodology. This approach does not by itself reflect a normative management science—something that professionals could authoritatively teach business practitioners. In fact, the intellectual developments within philosophy have made the idea of normative management science tenable.

The philosophical background

Classical philosophy

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

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

Medieval philosophy

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

For Christians, access to God’s principles was a product of moral not just intellectual virtue. Moral virtue was achieved in a variety of ways including ascetic practice that emphasized self-sacrifice and self-denial partly as a way of achieving a form of disinterestedness. Those achieving this state were accorded recognition as spiritual mentors. Of course, there is a danger that asceticism becomes a form of pride. Nevertheless, the ascetic disposition remains a powerful stimulus to the ethical outlooks of members of religious communities: among contemporary clergy it leads to a critique of “consumerism,” advertising, and profits, as well as advocacy of so-called

stakeholderism (community) and public policies of redistribution (see, for example, Cavanaugh 2003; Pope Francis 2015).

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

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

Modern philosophy

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

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

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

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

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

(Solomon 2008: 75–76)

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

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

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

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

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

The Enlightenment Project and contemporary ethics

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

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

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

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

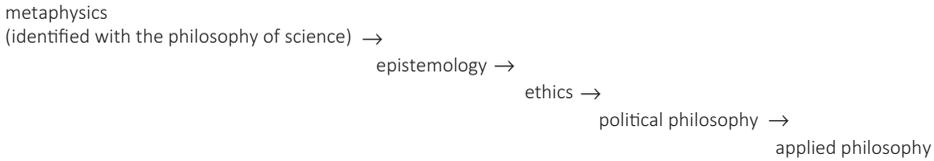


Figure 3.1 The philosophical ordering of the universe and the priority of metaphysics.

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

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

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

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

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

Exploration: the “new” normative methodology

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

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

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

The obvious shortcoming of exploration (in social science or elsewhere) is that there is no way to confirm or disconfirm an exploration in the social world. We never reach a structural level that is observable or empirically verifiable. There are no formal criteria and no consensus we can appeal to in choosing among competing explorations. In fact, choosing among

competing “higher” level explorations leads to an infinite regress. To an outsider it appears as if a hidden structure hypothesis is no more than a rationalization for a private agenda. Michel Foucault (1988) argued that the process is simply a power struggle. Bernard Williams complained (1985) that we are trying to wrench a moral consensus out of a divided culture. Both Anglo-American analytic philosophy and most versions of continental philosophy engage in the same type of thinking and make comparable errors.

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

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

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

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

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

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

Two competing narratives of philosophical exploration

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

The Lockean liberty narrative endorses:

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

God, who has given the world to men in common, has also given them reason to make use of it to the best advantage of life, and convenience . . . it cannot be supposed He meant it should always remain common and uncultivated. He gave it to the use of the Industrious and Rational . . . not to the Fancy or Covetousness of the Quarrelsome and Contentious . . . for it is labor indeed that puts the difference of value on every thing . . . of the products of the earth useful to the life of man nine tenths are the effects of labor.

(Locke 1960[1690]: §26, 27, 34, and 40, respectively)

- (b) a **free-market economy** wherein property rights are fundamental. The right to private property is a democratic right based in effort rather than an aristocratic right based on the accident of inheritance. Private property is not theft, and a government dedicated to the preservation of property is not antidemocratic.
- (c) a **limited government**. Liberty is the limitation of government power on behalf of individual liberty; in this context, recall Locke's endorsement of the right of revolution and his identification of the basic natural rights as life, liberty, and property.
- (d) the **rule of law**. Government should have a representative structure in which the neutral rule of law replaces the biased rule of men. The rule of law is manifested not only in non-arbitrary, impartial, and universally applicable law but in the institutional arrangement of the separation of the branches of government and in the teaching of *self-imposed limits* on both the people and their chosen rulers as expressed in a doctrine of natural rights. In its Lockean formulation, these rights (e.g., life, liberty, property) are absolute, do not conflict, and are possessed only by individual human beings. Rights are morally absolute or fundamental because they are derived from human nature and God, and, as such, cannot be overridden; the role of these rights is to protect the human capacity to choose. Finally, such rights impose only duties of non-interference. The purpose of these rights is to limit

government; the responsibility of government is to refrain from violating your rights and stop others from violating your rights.

- (e) **a culture of personal autonomy.** The dominant theme in Locke is that the best way of life is one in which the individual pursues happiness. He rejected the ancient view that one finds happiness by belonging or being with others.
- (f) the identification of **a dysfunctional element** in human society (the “quarrelsome and contentious”) and the attribution to that element of irresponsibility.

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

The Rousseauian equality narrative rejects:

- (a) The **technological project.** In the *Discourse on the Sciences and Arts* (1750), Rousseau critiqued the technological project. Instead of satisfying genuine human needs, the arts and sciences express pride (promoting invidious self-comparison) and lead to luxury and the loss of human liberty. Within this development is the origin of inequality. This *First Discourse* emphasizes the huge costs to society—hypocrisy, moral pretense, and the loss of authenticity—in the development of the practical arts and sciences. The anti-technological attitude survives in the contemporary era as the environmental movement. Rather than a Lockean economy that allows for infinite growth wherein a rising tide raises all boats, we are offered a sustainable economy in which all are equal.
- (b) **A free market economy.** Rousseau’s *Discourse on the Origin of Inequality* (1754) carries his criticism of the liberty narrative one step further. He offers a hypothetical historical reconstruction in which the division of labor is blamed for economic inequality and private property is declared as a kind of theft. The inequality that first emerged as a result of the arts and sciences is now institutionalized as the product of a (Lockean) social contract by which the *few* rich bamboozle the *many*, who are poor, into an agreement that benefits only the wealthy. The liberty narrative in Rousseau’s estimation is no more than a fraud.
- (c) **a limited government.** Rousseau’s own social contract is meant to displace this unhealthy hierarchy and inequality. Whether it is physical, material or intellectual inequality, Rousseau takes the presence of the inequality of condition as the point of departure in the “real” world of society. He questions whether the inequality can be justified, and answers that we cannot do so on the grounds provided by Locke.

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

In his *Political Economy* (1755), Rousseau introduces the concept of the “general will.” Central to the equality narrative, the general will shapes Rousseau’s *Social Contract* (1762), becoming *the* standard by which all action is judged. Everyone gives up everything—especially private property—when leaving the state of nature to enter Rousseau’s social

contract. There is thus a conception of liberty in the Rousseau narrative but it is a “liberty *to*” participate in collective decision making. Lockean liberty, modern liberty in Constant’s terms, is a “liberty *from*.” The general will in the end embodies the ancient (and medieval) conception of a collective good, what Oakeshott describes (1975) as an enterprise association.

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

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

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

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

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

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

An alternative method: explication

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

Table 3.1 The competing narratives of Locke and Rousseau.

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

Source: Adapted from a table in Capaldi 2013.

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

stipulated in *Dodge v. Ford* (1919); real-life firms incorporated in Delaware follow Delaware law not some hypothetical legal universe.

The point of business ethics would then be to understand and explain commercial activity in the broadest possible sense, and, more particularly, to understand and explain the ethical norms that business people practice and to which they acquiesce. Business ethicists would thus discover business ethics in a manner analogous to the way a judge, through analysis of a line of previously decided cases, discovers the law. The analogy with the common law, noted only briefly here, is important; it resonates with the understanding of British thinkers such as Hume, who regarded experience as the funderd knowledge of the past.

Explication is a philosophical activity to the extent that it seeks to reveal the role of business activity within the framework of our total experience. It is not a wholly theoretical endeavor. It involves knowledge of the tradition(s) of business behavior; comparative studies that get us to look more carefully at our traditions; and historical studies showing what people have said and thought, thus revealing a manner of thinking. The chief purpose of academic business ethics is less the solving of “moral problems” and the exposure of ethical error than it is the understanding of the inherent and evolving norms of commercial life.

As an explanatory activity, academic business ethics is not a practical enterprise, for we cannot automatically infer practical consequences from the understanding. To be a scholar of business ethics is not linked automatically to being a business ethics practitioner. Business ethics is immanent: it identifies the traditional norm(s) relevant to a particular situation or amends existing arrangements by further explication of the norms inherent in previous practice. Norms are not a permanent sub-structure; they can never be definitively explicated but are fertile sources of adaptation; they are an inheritance that does not entail its own future development.

Albert Carr’s 1968 article, “Is Business Bluffing Ethical?” is an attempt at explication. Seeking to determine whether bluffing is ethical in business, Carr appeals to the actual practice of business people—both what they do and what they acquiesce in others doing. Carr *could* be understood as offering an actual-implied contract account of why bluffing is ethical, but in fact he is doing explication. It is not surprising that the reception of his approach in the exploration-dominated academic business ethics field has been almost uniformly negative. Like Milton Friedman’s “The Social Responsibility of Business Is to Increase Its Profits,” its pedagogical role is seen as offering an example of what-not-to-believe.

Explications are narratives that contain arguments within them, but the overall explication is not itself an argument. As with common law, one cannot refute an explication, but one can offer an alternative. An explication presupposes background agreement on what we are trying to achieve. Starting with a diagnosis of the problem at issue, it proposes a response: recommending this proposal by considering the consequences likely to follow from acting upon it and balancing these against those of at least one other proposal. Explication, therefore, is a problems-oriented approach. However, to teach business ethics in this way also presupposes that the instructor has presented a grand narrative of the role of commerce in the modern world and has identified the alternative philosophical approaches and explained why they are inadequate or reflect a wholly different agenda.

The most remarkable thing about explication is that it encourages us to retrieve the big picture as well as all of the crucial insights about modern market economies embedded in the works of great philosophers like Descartes, who went to the Netherlands, the most vibrant commercial center in Europe, to enjoy a greater liberty than available elsewhere, and whose technological project is discussed in the *Discourse on Method* (1931[1637]); like Locke, who reconceptualizes Christian labor as the technological project and recognizes the importance of private property; like Montesquieu, who relates market economies to law and politics; like Hume, who defends, in his seldom-read *Essays*, market societies against Rousseau’s criticisms; like Adam Smith, who

sets forth a sophisticated constructive critique of business people who fail to adhere to the norms of market practice and provides a wonderful and timeless critique of academics as unimaginative rent seekers; like Kant, who articulates the relationship among technology, markets, and international peace and their consistency with human freedom; like Hegel, who, influenced by Smith, articulates the importance both of the rule of law and individual autonomy; like J.S. Mill, who re-articulates the centrality of individual autonomy in *On Liberty* and offers a critique of socialism; as well as more recent philosophers like Hayek and Oakeshott.

Even if it is time to retrieve and extend the philosophical explication of business ethics, what happens if we find that there are incommensurable ethical communities? The answer is that you move to the political level, recognizing that once you are on the political-legal level all you will obtain is agreement on procedural norms that leave different ethical sub-communities or the members thereof to practice as they see fit within the larger procedural framework. Might there be specific communities in which there is serious conflict and confusion both about what is the right thing to do and about who are the mentors or whether the mentors could be misguided on a specific issue? The answer is yes. Depending upon how charitable one is, we can call these communities (a) dysfunctional, or (b) communities in crisis, or (c) disintegrating communities. This is a story for some other occasion.

Explicative methodology in business ethics aims to answer the following question: What are the norms inherent in current business practice? This does not preclude critique of such practices, but the critique of one practice would have to appeal to another practice, and in that special sense explication is an inherently conservative intellectual process. Such a method raises the following challenges.

- 1 Can the explication of business practice be carried out wholly from within the practice of business (which seems unlikely) or are we required to consider the larger cultural or social context within which business takes place?
- 2 In what sense is commerce itself a microcosm for understanding norms in general?
- 3 Are there not interesting and important differences across cultures that call for comparative analysis? There have been comparative studies in the business ethics literature and discussions of regional or national differences in business ethics norms in the various handbooks and guidebooks and companions (e.g., Robert Kolb's *The Sage Encyclopedia of Business Ethics and Society* (2008); or the series, published by Springer, on *Corporate Social Responsibility*: see, for example, Idowu et al. 2013).
- 4 In what sense is globalization influencing business practice?
- 5 Will there be consensus, convergence, or inevitably conflicting normative frameworks?

Concluding remarks

Given the inevitably partisan nature of exploration, some version of explication is the most fruitful method for business ethics research. Explication does not provide ready answers to our ethical problems but it does suggest a clear and non-partisan way of approaching complex issues. In this respect, it is worth keeping in mind that ethical issues are not the sort of thing about which one can have "expertise." There are spiritual and ethical mentors within a given community, all of whose members subscribe to a substantive view of what is right and what is wrong. To intellectualize those substantive views rarely provides genuine clarity or helpful guidance. Usually, the most valuable intellectual activity is a critique of previous attempts at over-intellectualization.

What positive philosophical meaning can be given to the practice of business ethics? A business ethicist can be either a scholar of business ethics or a business ethics practitioner. The scholar is not a

practitioner but, in the broadest sense, an educator. The point of business education is to understand and explain market activity in the broadest sense. It is a philosophical activity that seeks to reveal the role of business activity on the map of our total experience. It is not a theoretical endeavor. It involves knowledge of our tradition of business practice. Comparative studies are valuable in getting us to look more carefully at our traditions. Historical studies show what people have said and thought, revealing a manner of thinking. The purpose of business education is less to expose errors than to understand assumptions and judgments. Business ethics education is an explanatory not a practical activity; we do not infer practical consequences from understanding or explanation.

Business ethics as a practice is immanent. That is, it either identifies the traditional norm(s) relevant to a particular situation or amends existing arrangements by explication of the norms inherent in practice. These norms cannot be accessed as a permanent sub-structure; they can never be definitively explicated. They are fertile sources of adaptation, for they are an inheritance that does not entail its own future development. An explication presupposes a general background agreement on what we are trying to achieve; it commences with a diagnosis of the problem at issue; it then proposes a response. It recommends this proposal by considering the consequences likely to follow from acting upon it; it balances these against those of at least one other proposal. You cannot refute an explication, but you can offer an alternative one.

Essential readings

One of the better anthologies on contemporary business ethics is that edited by George Brenkert and Tom Beauchamp, *Oxford Handbook of Business Ethics* (2010). Robert Kolb's *Encyclopedia of Business Ethics and Society* (2008, 2018) is great in scope and is a good place to start one's study of a subject. Although it is now out of print, the collection edited by Eugene Heath, *Morality and the Market: Ethics and Virtue in the Conduct of Business* (2002) gives special priority to readings from the history of Western thought that focus on the context, history, and operations of markets and business. In *Wealth, Commerce, and Philosophy: Foundational Thinkers and Business Ethics* (2017), Eugene Heath and Byron Kaldis enlist a rich collection of scholarly essays that reassess the contributions of significant thinkers to our understanding of the complex interplay of morals, markets, and commercial activity.

For further reading in this volume on the history of business ethics, see Chapter 1, The history of business ethics, and Chapter 32, The globalization of business ethics. For an account of major theorists on business ethics, see Chapter 2, Theorists and philosophers on business ethics. On the two dominant theories within business ethics, see Chapter 10, Social responsibility, and Chapter 11, Stakeholder thinking. For a theoretical perspective that prioritizes the idea of a neutral form of discourse in which the ethical determines the economic, see Chapter 12, Integrative Economic Ethics: concept and critique. A discussion of political versus economic decision making may be found in Chapter 21, Regulation, rent seeking, and business ethics. On some of the destructive consequences of twentieth-century politics, see Chapter 39, Business ethics in transition: communism to commerce in Central Europe and Russia. On the importance of lived practice and social learning, see Chapter 8, Feminist ethics and business ethics: redefining landscapes of learning.

Notes

- 1 I am indebted to Lori Verstegen Ryan (2006) for this history.
- 2 Less frequently, business ethics programs reside in marketing departments (e.g., Notre Dame University's Mendoza School of Business) or business law/legal studies departments (e.g., University of Pennsylvania's Wharton School, the Daniels School at the University of Denver). These departments have also, to an extent, shaped the field.

References

- Abend, G. (2013). "The Origins of Business Ethics in American Universities, 1902–1936." *Business Ethics Quarterly* 23:2, 171–205.
- Abend, G. (2014). *The Moral Background: An Inquiry into the History of Business Ethics*. Princeton, NJ: Princeton University.
- Adorno, T.W. and M. Horkheimer (1990). *Dialectic of Enlightenment*, J. Cumming (trans.). New York: Continuum.
- Annas, J. (1993). *The Morality of Happiness*. New York: Oxford University Press.
- Anscombe, G.E.M. (1958). "Modern Moral Philosophy," *Journal of Philosophy* 33:124, 1–19.
- Arnold D.G. and N.E. Bowie (2003). "Sweatshops and Respect for Persons," *Business Ethics Quarterly* 13:2 (April), 221–242.
- Badaracco, J.L. and A.P. Webb (1995). "Business Ethics: A View from the Trenches," *California Management Review* 37:2 (Winter), 8–28.
- Bainbridge, S. (2012). *Corporate Governance after the Financial Crisis*. New York: Oxford.
- Becker, C. (1962). *The Heavenly City of the Eighteenth-Century Philosophers*. New Haven, CT: Yale University Press.
- Bloom, A. (1987). *The Closing of the American Mind*. New York: Simon & Schuster.
- Boxill, B. (2010). "Discrimination, Affirmative Action, and Diversity in Business," in G. Brenkert and T. Beauchamp (eds), *Oxford Handbook of Business Ethics*. Oxford: Oxford University Press, 535–562.
- Brenkert, G. (2002). "Entrepreneurship, Ethics, and the Good Society," *The Ruffin Series of the Society for Business Ethics* 3, 5–43.
- Brenkert, G. and T. Beauchamp (eds) (2010). *Oxford Handbook of Business Ethics*. Oxford: Oxford University Press.
- Buchanan, J.M. (1975). *The Limits of Liberty: Between Anarchy and Leviathan*, in *The Collected Works of James M. Buchanan*, vol. 7 (1999). Indianapolis: Liberty Fund.
- Business Round Table (1997). "Statement on Corporate Governance" (September) Washington, DC: The Business Roundtable of CEOs.
- Capaldi, N. (1992). "The Dogmatic Slumber of Hume Scholarship," *Hume Studies* 18:2, 117–135.
- Capaldi, N. (1998). *The Enlightenment Project in the Analytic Conversation*. Dordrecht: Kluwer Academic Publishers.
- Capaldi, N. (2004). "The Ethical Foundations of Free Market Societies," *The Journal of Private Enterprise* 20:1 (Fall), 30–54.
- Capaldi, N. (2013). "Pro-Market versus Anti-Market Approaches to Business Ethics," in C. Luetge (ed.), *Handbook of the Philosophical Foundations of Business Ethics*. Berlin: Springer, 1223–1238.
- Capaldi, N. and G. Lloyd (2016). *Liberty and Equality in Political Economy: From Locke versus Rousseau to the Present*. Cheltenham: Edward Elgar.
- Carr, A.Z. (1968). "Is Business Bluffing Ethical?" *Harvard Business Review* 46:1 (Jan–Feb), 143–153.
- Carroll, A. (2008). "A History of Corporate Social Responsibility: Concepts and Practices," in *Oxford Handbook of Corporate Social Responsibility*, Crane, A. McWilliams, D. Matten, J. Moon, and D. Siegel (eds). Oxford: Oxford University Press, 19–46.
- Carson, R. (1962). *Silent Spring*. New York: Houghton Mifflin.
- Cavanaugh, W.T. (2003). "The Unfreedom of the Free Market," in D. Bandow and D. L. Schindler (eds), *Wealth, Poverty, and Human Destiny*. Wilmington, DE: ISI Books, 103–28.
- Clarkson, M. (1995). "A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance," *Academy of Management Review* 20, 92–117.
- Coase, R. (1937). "The Nature of the Firm," *Economica* 4:16, 386–405.
- Den Uyl, D. and D. Rasmussen (2002). "Aristotelianism, Commerce, and the Liberal Order," in A. Tessitore (ed.), *Aristotle and Modern Politics*. South Bend, IN: University of Notre Dame Press, 278–304.
- Descartes, R. (1931) [1637]. *Discourse on the Method of Conducting One's Reason Well and for Seeking the Truth in the Sciences*, in *The Philosophical Works of Descartes*, vol. 1, E.S. Haldane and G.R.T. Ross (trans.), 2 vols. Cambridge: Cambridge University Press.
- Dodd, E.M. (1932). "For Whom are Corporate Managers Trustees?" *Harvard Law Review* 45:8, 1365–1372.
- Donaldson, T. (1982). *Corporations and Morality*. Englewood Cliffs, NJ: Prentice-Hall.
- Donaldson, T. (1989). *The Ethics of International Business*. New York: Oxford University Press.
- Donaldson, T. and L.E. Preston (1995). "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications," *The Academy of Management Review* 20:1 (January), 65–91.
- Dunfee, T.W. and T. Donaldson (1999). *Ties that Bind: A Social Contracts Approach to Business Ethics*. Cambridge, MA: Harvard Business School Press.

- Drucker, P. (1954). *The Practice of Management*. New York: Harper.
- Dworkin, R. (1986). *Law's Empire*. Cambridge: Belknap Press.
- Engelhardt, H.T. (1986). *Foundations of Bioethics*. New York: Oxford University Press.
- Epstein, E.M. (1999). "The Continuing Quest for Accountable, Ethical, and Humane Corporate Capitalism," *Business & Society* 38, 253–267.
- Epstein, R. (1984). "In Defense of the Contract at Will," *University of Chicago Law Review* 51:947.
- Etzioni, A. (1993). *The Spirit of Community: Rights, Responsibilities, and the Communitarian Agenda*. New York: Crown Publishers.
- Foucault, M. (1988). *Madness and Civilization: A History of Insanity in the Age of Reason*, Richard Howard (trans.). New York: Vintage Books.
- Freeden, M. (1998). *Ideologies and Political Theory*. Oxford: Oxford University Press.
- Freeman, R.E. and R. Phillips (2002). "Stakeholder Theory: A Libertarian Defense," *Business Ethics Quarterly* 12:3 (July), 331–349.
- Friedman, M. (1970). "Social Responsibility of Business Is To Increase Its Profits," *New York Times* (Sept. 13, 1970).
- Galbraith, J.K. (1958). *The Affluent Society*. New York, NY: Houghton, Mifflin Co.
- Gore, A. (2006). *An Inconvenient Truth*. New York: Rodale.
- Hare, R. (1981). *Moral Thinking*. Oxford: Oxford University Press.
- Hayek, F.A. (1973). *Law, Legislation, and Liberty*, vol. 1, *Rules and Order*. Chicago, IL: University of Chicago Press.
- Hayek, F.A. (2007) [1944]. *Road to Serfdom*. Chicago, IL: University of Chicago Press.
- Heath, E. (2002). *Morality and the Market: Ethics and Virtue in the Conduct of Business*. New York: McGraw-Hill.
- Heath, E. and B. Kaldis (eds) (2017). *Wealth, Commerce, and Philosophy: Foundational Thinkers and Business Ethics*. Chicago, IL: University of Chicago Press.
- Hill, T.E. Jr. (1992). *Dignity and Practical Reason in Kant's Moral Theory*. Ithaca, NY: Cornell University Press.
- Hoopes, J. (2003). *False Prophets: The Gurus who Created Modern Management and Why Their Ideas are Bad for Business Today*. New York: Basic Books.
- Hutchins, R.M. (1936). Untitled Response to A.N. Whitehead, *Atlantic Monthly* (October), 582–588.
- Idowu, S.O., N. Capaldi, L. Zu, A. Das Gupta (eds) (2013). *Encyclopedia of Corporate Social Responsibility*. Berlin: Springer.
- Jennings, M. (2009). *Business: Its Legal, Ethical, and Global Environment*, 8th edition. Maon, OH: South-Western Cengage Learning.
- Jones, T.M. (1980). "Corporate Social Responsibility Revisited, Redefined," *California Management Review* 22:3, 59–67.
- Jonsen, A. (2003). *The Birth of Bioethics*. Oxford: Oxford University Press.
- de Jouvenel, B. (1974). "The Treatment of Capitalism by Continental Intellectuals," in F.A. Hayek (ed.), *Capitalism and the Historians*. Chicago, IL: University of Chicago Press, 91–121.
- Kay, I. and S. Van Putten (2007). *Myths and Realities of Executive Pay*. Cambridge: Cambridge University Press.
- Khurana, R. (2007). *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession*. Princeton, NJ: Princeton University Press.
- Kirzner, I. (1973). *Competition and Entrepreneurship*. Chicago, IL: University of Chicago Press.
- Kolb, R. (ed.) (2008). *The Sage Encyclopedia of Business Ethics and Society*, 1st edition (2nd edition 2018), 5 vols. Los Angeles, CA: Sage.
- Krugman, P. (2009). *The Conscience of a Liberal*. New York: Norton.
- Kuttner, R. (1997). *Everything for Sale: The Virtues and Limits of Markets*. Chicago, IL: University of Chicago Press.
- Lippke, R.L. (1995). *Radical Business Ethics*. Lanham, MD: Rowman & Littlefield.
- Livingston, D. (1985). *Hume's Philosophy of Common Life*. Chicago, IL: University of Chicago Press.
- Livingston, D. (1998). *Philosophical Melancholy and Delirium: Hume's Pathology of Philosophy*. Chicago, IL: University of Chicago Press.
- Locke, J. (1960) [1690]. *Second Treatise of Government*, Peter Laslett (ed.). Cambridge: Cambridge University Press.
- Machan, T. (2007). *The Morality of Business*. New York: Springer.
- MacIntyre, A. (1981). *After Virtue*. Notre Dame, IN: University of Notre Dame Press.
- Madison, J., A. Hamilton and J. Jay (1987) [1788]. *The Federalist Papers*, I. Kramnick (ed.). London: Penguin.

- Maitland, I. (2003). "The Great Non-Debate Over International Sweatshops," in W.H. Shaw (ed.), *Ethics at Work: Basic Readings in Business Ethics*, Oxford: Oxford University Press, 49–66.
- Manne, H. (1985). "Insider Trading and Property Rights in New Information," *The Cato Journal* 4, 933–943.
- Marcoux, A. (2009). "Is a Market for Values a Value in Markets?" *Reason Papers* 31 (Fall 2009): 97–107.
- Marino, G. (2002). "The Latest Industry to Flounder: Ethics Incorporated," *The Wall Street Journal*, July 30.
- McCarthy, J. (ed.) (1998). *Modern Enlightenment and the Rule of Reason*. Washington, DC: Catholic University of America Press.
- McDonald, D. (2017). *The Golden Passport: Harvard Business School, the Limits of Capitalism, and the Moral Failure of the MBA Elite*. New York: HarperCollins.
- McMahon, C. (1997). *Authority and Democracy: A General Theory of Government and Management*. Princeton, NJ: Princeton University Press.
- Mill, J.S. (1848) [1965]. *Principles of Political Economy*, in *Collected Works*, Volumes II and III. Toronto: University of Toronto Press.
- Miller, F.D. Jr. (1995). *Nature, Justice, and Rights in Aristotle's Politics*. Oxford: Oxford University Press.
- Miller, F.D. Jr. (2017). "Aristotle and Business: Friend or Foe?" in E. Heath and B. Kaldis (eds), *Wealth, Commerce, and Philosophy: Foundational Thinkers and Business Ethics*. Chicago, IL: University of Chicago Press, 31–52.
- Moriarty, J. (2009). "How Much Compensation can CEOs Permissibly Accept?" *Business Ethics Quarterly* 19:2, 235–250.
- Nader, R. and Green, M. (1976). *Taming the Corporate Giant*. New York: Norton.
- Nagel, T. (1979). *Mortal Questions*. New York: Cambridge University Press.
- Nozick, R. (1974). *Anarchy, State, and Utopia*. New York: Basic Books.
- Nozick, R. (1998). "Why Do Intellectuals Oppose Capitalism?" *Cato Policy Report* 20:1 (Jan-Feb), 1, 9–11.
- Nussbaum, M. (1986). *The Fragility of Goodness: Luck and Ethics in Greek Tragedy and Philosophy*. Cambridge: Cambridge University Press.
- Oakeshott, M. (1975). *On Human Conduct*. Oxford: Oxford University Press.
- Oakeshott, M. (1991a) [1947]. "Rationalism in Politics," in *Rationalism in Politics and Other Essays*, expanded edition. Indianapolis, IN: Liberty Fund, 5–42.
- Oakeshott, M. (1991b) [1948]. "The Tower of Babel," in *Rationalism in Politics and Other Essays*, expanded edition. Indianapolis, IN: Liberty Fund, 465–487.
- Oakeshott, M. (1991c) [1961]. "The Masses in Representative Democracy," in *Rationalism in Politics and Other Essays*, expanded edition. Indianapolis, IN: Liberty Fund, 363–383.
- O'Neil, O. (1989). *Constructions of Reason: Exploring Kant's Practical Philosophy*. Oxford: Oxford University Press.
- Parfit, D. (1986). *Reasons and Persons*. Oxford: Oxford University Press.
- Peacock, M.S. (2017). "Wealth and Commerce in Archaic Greece: Homer and Hesiod," in E. Heath and B. Kaldis (eds), *Wealth, Commerce, and Philosophy: Foundational Thinkers and Business Ethics*, Chicago, IL: University of Chicago Press, 11–30.
- Phelps, E.S. (2006). "Toward a Model of Innovation and Performance Along the Lines of Knight, Keynes, Hayek, and M. Polanyi," prepared for Conference on Entrepreneurship and Economic Growth, Max-Planck Institute and Kauffmann Foundation, Munich, May 8–9.
- Piketty, T. (2014). *Capital*. Cambridge, MA: Harvard University Press.
- Pogge, T. (2001). "Priorities of Global Justice," *Metaphilosophy* 32:1–2 (January), 6–24.
- Pope Francis (2015). "Laudato si," w2.vatican.va/. . ./papa-francesco_20150524_enciclica-laudato-si.html.
- Rawls, J. (1971). *Theory of Justice*. Cambridge, MA: Harvard University Press.
- Rawls, J. (1985). "Justice as Fairness: Political not Metaphysical," *Philosophy and Public Affairs* 14:3, 223–251.
- Rawls, J. (1993). *Political Liberalism*. New York: Columbia University Press.
- Rawls, J. (1999). *Collected Papers*, S. Freeman (ed.). Cambridge, MA: Harvard University Press.
- Rawls, J. (2001). *Justice as Fairness*. Cambridge, MA: Harvard University Press.
- Reich, R. (1987). "Entrepreneurship Reconsidered: The Team as Hero," *Harvard Business Review* (May/June): 77–83.
- Rorty, R. (1991). "The Priority of Democracy to Philosophy," in *Objectivism, Relativism, and Truth: Philosophical Papers*, vol. 1. Cambridge: Cambridge University Press, 175–196.
- Rousseau, D.M. and A. Rivero (2003). "Democracy, a Way of Organising in a Knowledge Economy," *Journal of Management Inquiry* 12:2, 115–134.

- Rousseau, J.-J. (1750). *Discourse on the Sciences and Arts* in *The Discourses and Other Early Political Writings*, V. Gourevitch (ed. and trans.). Cambridge: Cambridge University Press.
- Rousseau, J.-J. (1754). *Discourse on the Origin and Foundations of Inequality Among Men* in *The Discourses and Other Early Political Writings*, V. Gourevitch (ed. and trans.). Cambridge: Cambridge University Press.
- Rousseau, J.-J. (1755) [1755]. *Discourse on Political Economy* in *The Social Contract and Other Related Political Writings*, V. Gourevitch (ed. and trans.). Cambridge: Cambridge University Press.
- Rousseau, J.-J. (1762). *The Social Contract* in *The Social Contract and Other Related Political Writings*, V. Gourevitch (ed. and trans.). Cambridge: Cambridge University Press.
- Ryan, L.V. (2006). "Foundation and Form of the Field of Business Ethics," *Journal of Private Enterprise* 21:2, 34–49.
- Schumpeter, J. (1975) [1942]. *Capitalism, Socialism, and Democracy*. New York: Harper Colophon.
- Shaw, W.H. (1996). "Business Ethics Today: A Survey," *Journal of Business Ethics* 15:489–500.
- Simon, J. (1996). "Can the Supply of Natural Resources be Infinite?" in *Ultimate Resource 2*. Princeton, NJ: Princeton University Press.
- Smith, A. (1981) [1776] in R. H. Campbell, A.S. Skinner and W.B. Todd (eds), *An Inquiry into the Nature and Causes of the Wealth of Nations*, 2 vols. Indianapolis, IN: Liberty Fund.
- Solomon, R.C. (2008). "Corporate Roles, Personal Virtues: An Aristotelian Approach to Business Ethics," in T. Donaldson, P. Werhane, and J. Van Zandt (eds), *Ethical Issues in Business: A Philosophical Approach*. Englewood Cliffs, NJ: Prentice-Hall, 66–77.
- Stark, A. (1993). "What's the Matter with Business Ethics?" *Harvard Business Review* 71:3 (May-June), 38–40, 43–4, 46–8.
- Sternberg, E. (2000). *Just Business: Business Ethics in Action*, 2nd edition. Oxford: Oxford University Press.
- Sunstein, C.R. (1997). *Free Markets and Social Justice*. Oxford: Oxford University.
- Taylor, C.M. (1989). *Sources of the Self: The Making of the Modern Identity*. Cambridge: Cambridge University Press.
- von Mises, L. (2006) [1954]. *The Anti-Capitalist Mentality*. Indianapolis, IN: Liberty Fund, Inc.
- Werhane, P.H. (1991). "The Indefensibility of Insider Trading," *Journal of Business Ethics* 10, 729–731.
- Werhane, P. (2001). "Employer and Employee Rights in an Institutional Context" in T. Beauchamp and N. Bowie (eds), *Ethical Theory and Business*, Upper Saddle River, NJ: Prentice Hall, 366–375.
- Werhane, P. (2005). "Intellectual Property Rights, Moral Imagination, and Access to Life-Enhancing Drugs," *Business Ethics Quarterly* 15:4.
- Werhane, P., T.J. Radin and N. Bowie (2003). *Employment and Employee Rights*. New York. Wiley-Blackwell.
- Werhane, P., S.P. Kelley, L.P. Hartman and D.J. Moberg (2010). *Alleviating Poverty Through Profitable Partnerships: Globalization, Markets and Economic Well-Being*. New York: Routledge.
- Whitehead, A.N. (1936). "Harvard: The Future," *Atlantic Monthly* (September), 260–270.
- Williams, B. (1985). *Ethics and the Limits of Philosophy*. Cambridge, MA: Harvard University Press.
- Wittgenstein, L. (1953) in G.E.M. Anscombe and R. Rhees (eds), G.E.M. Anscombe (trans.). *Philosophical Investigations*, Oxford: Blackwell.