

Advances in Business Ethics Research  
*Series Editors: Deborah C. Poff · Alex C. Michalos*

Francis J. Schweigert

# Business Ethics Education and the Pragmatic Pursuit of the Good

 Springer

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Francis J. Schweigert

# Business Ethics Education and the Pragmatic Pursuit of the Good



Springer

Francis J. Schweigert  
Metropolitan State University  
Minneapolis and Saint Paul  
Minnesota, USA

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*To my wife Kathleen for her unfailing support and partnership, and to our children Ben, Susie, Joe, and Walken for their inspiration as they launch their own businesses and professions.*



# Preface

This book is written primarily for educators, by an educator, to clarify the foundations, aims, and means of teaching business ethics. The primary audiences are those who write the textbooks, teach the courses, and design the programs in business ethics and management. More broadly, the pragmatic nature of this essay makes it useful to leaders in business, public life, and higher education concerned with public responsibilities across the full range of industries, professions, and administration. As an exercise in public philosophy, the concerns and themes raised here have broad implications for public life. It is not written as a textbook, yet students in business, public administration, and applied ethics will find very helpful background on human systems of exchange, the history of business education, the dynamics of moral learning, methods of moral education, the requirements of ethical reasoning, and public deliberation.

The focus on business ethics as a matter of justice arose from the confluence of two streams of experience and observation in community and workplace settings. On the one hand, I saw the power of moral learning in social settings where relationships and results mattered; on the other hand, over decades of personal experience teaching ethics and management, I could see my efforts in education being swamped by moral learning outside the classroom and lecture hall. It was clearly not enough to provide a solid grasp of ethical theory and a realistic sense of contemporary moral conflicts and challenges to inform the consciences of my students. A larger frame of social responsibility and public accountability was needed, having both the power of social norms and the practical utility of solving real problems.

During these same decades, my growing experience leading restorative justice conferences and circles provided many opportunities to observe ordinary people solving real social problems with a keen sense of justice. As I worked in the public arena to address matters of justice—criminal offenses, community conflicts, planning, and problem solving—I noticed that the people involved were growing in terms of personal morality at the same time as they were solving real problems and developing clearer understandings of justice. Here was a new paradigm for moral education as moral apprenticeship: practical, personal, and principled. From this



experiential base came an understanding of justice in public affairs as the pragmatic pursuit of the good, which is in turn the central organizing theme in this book.

The ideas, observations, and educational recommendations in this book emerged over time in a series of presentations and articles on restorative justice, evaluation ethics, public deliberation, and moral learning. The voice of John Dewey was strong throughout and finally took distinctive shape in a chapter entitled, “The Pragmatic Pursuit of the Good” in a volume edited by V. Byczkiewicz, *Democracy & Education: Collected Perspectives 2014* (Trébol Press, 2014). This essay is mostly included as Chap. 8 in this book, plus short sections in Chaps. 3 and 10. During those same years, this long chain of thinking appeared in several presentations on business ethics, including a presentation at the Warsaw conference of the International Society of Business, Economics, and Ethics (ISBEE) entitled, “Social Responsibility as a Matter of Justice: A Proposal to Expand Business Ethics,” later published in a volume edited by M. C. Coutinho de Arrudo and B. Rok, *Understanding Ethics and Responsibilities in a Globalizing World* (Springer International Publishing, 2016). This essay has been expanded into this book, with passages adapted for sections of Chaps. 5 and 9.

In order to convey a sense of its overlapping concerns and themes, I have given the book a spiral structure beginning with the historical origins and ideals of business education, working forward and outward to current concerns of business ethics, leading from there to moral apprenticeship and proposals for moral formation and ethical leadership. Each chapter has been written to capture a set of concerns and ideas, so that it can be read on its own; taken together, the chapters present a coherent argument for a new configuration of business ethics education.

The ideas in this book would not have been possible without my long apprenticeship in moral education, restorative justice, and public ethics, working and learning under the mentorship of great community leaders and educators such as Allen Bellas, Carol Bormann Young, Peter Eichten, John Engels, John Forliti, Roger Israel, Paul Kaiser, Jean King, Steve Kosowski, Emmanuel Charles McCarthy, Darcia Narvaez, Kay Pranis, James Rest, Steve Rice, Calvin Roetzel, Gene Scapanski, John Wallace, David White, and Joel Wilson. I am especially indebted to Michael Sher, Michael Slusser, and Lois Yellowthunder for our many conversations and their suggestions, corrections, and critiques—as I acknowledge that all errors and misunderstandings are my own.

Even more fundamental to my understanding of business ethics as justice was my long and deep formation as part of a family farm business where the meaning of morals was always practical and rooted in connections to the land, the enterprise, and the surrounding community. I owe more than I can say to these extended Schweigert, Geisler, and Lewandowski families who never tired of raising difficult questions, arguing ideas and cases, and providing inspiring leadership in ethical business operations and outcomes.

I want to thank the College of Management and Metropolitan State University for providing a sabbatical that allowed me to read deeply into the history and philosophies of business schools and business ethics education.

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# Chapter 1

## Introduction

**Abstract** This chapter briefly sets forth the extended argument that business schools should incorporate education for justice into their business and management curriculum as the pragmatic pursuit of the good. This argument is comprised of three central themes: that business ethics is part of business strategy, that business ethics education must include elements of both moral formation and preparation for public ethical leadership, and that this agenda for education is solidly founded on critical social facts and clear philosophical ideas. Business strategy is an organizational arrangement and mobilization of means to achieve critically important ends and purposes. These are the goods for which the business exists, not only for the benefit of the business's owners but for the benefit of many others involved directly or indirectly. Consideration of the good in this larger sense is part of business strategy. The pursuit of the good in this larger sense requires the formation of internal attitudes through moral apprenticeship while engaged in the business enterprise, and public accountability for the achievement of this good requires education in ethical leadership. This distinction between internal moral formation and external ethical responsibility is central to the program of business ethics proposed here. The morals and ethics of business presented here are based on social facts reaching back into human evolutionary history as well as current political and philosophical assumptions. The focus of my argument is that every business exists to contribute to the general welfare as well as to the prosperity of its owners, and business schools should be preparing managers and owners of for-profit businesses to have the skills and knowledge to realize this purpose.

**Keywords** Economic justice • Business school • Business ethics • Moral formation • Social purpose

### 1.1 The Matter of Justice

This book is part of a large and ongoing conversation in business ethics regarding the social obligations of business—a very long-running conversation that predates the modern era, appearing in many ancient traditions and classical texts from the

Mediterranean basin eastward into South and East Asia. This conversation took a sharper focus with the advent of industrial economies in Western Europe and North America as concerns about working conditions, corporate monopolies, and wide disparities in income led to movements for economic justice such as organized labor, the social gospel, and governmental social welfare programs, as well as socialist and communist political movements. The moral power of these reform movements was grounded in compassion aroused by the unnecessary suffering of many thousands of persons and families and advanced on the basis of basic human rights, welfare, and dignity.

These reforms in the Modern Era were paralleled by developments in economic theory incorporating social conceptions such as private property rights, the specialization and division of labor, a self-adjusting market by means of the price mechanism, and the value of competitive self-interest as an engine for social benefit (Fusfeld 2002). By the middle of the twentieth century, a strong defense was mounted on behalf of business as champion of freedom, individual initiative and responsibility, and in opposition to big government, creeping socialism, and “the disintegration of the nation’s spiritual foundations” (Kruse 2015, p. 27). This defense was informed by economists who saw the pursuit of profits in an open competitive marketplace as the only viable route to widespread prosperity and as the source and sustenance of individual freedom, self-advancement, and democratic citizenship: well-known voices were F. A. Hayek (1944/2007) from Great Britain and Ludwig von Mises (1950) in the United States, reinforced a half-generation later by Milton Friedman (1962).

Of course there were alternative theories challenging the self-correcting nature of the capitalist economy (Keynes 1932/2008; Polanyi 1944/2001) and its moral benefits (Tawney 1920; Macpherson 1962). Neither side of the debate, however, questioned that the preeminent justification for a capitalist economy lay in its contributions to the general welfare. Debate centered instead on whether or not the economy was delivering on this justification. This social welfare justification is assumed in this book, with the intent to make the realization of this justification an essential educational agenda for business schools, both in the general curriculum and in business ethics education. If successful, education to achieve a just economy would become a central preoccupation of business schools.

To specify the meaning of this aim, I offer three levels of definition: to justify the aim, to locate the target of the aim, and to outline the means of justification. At the most general of level of *justifying* the aim, I start with social institutions, as did John Rawls, who famously wrote that, “Justice is first virtue of social institutions, as truth is to thought” (1971, p. 3). His point was that social institutions exist for the good of humanity, and only by fulfilling this purpose are they justified: “A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust” (p. 3).

The *target* of the aim could be justice in all its dimensions and complexities, but that would be more appropriate to a curriculum in moral philosophy than in a business school. The part of justice that most emphatically depends upon business and



commerce is economic: work and welfare, providing and provision. Although all aspects of justice can be relevant within businesses and in market exchanges, economics by definition refers to “the process or system by which goods and services are produced, sold, and bought” (Economics 2015). This is the social institution of greatest interest for business schools, and they have the most to contribute to its moral justification.

The *means* of justification must fit the matter of justice at stake, in this case, work and welfare in terms of goods and services. The public nature of the institution renders appeals to internal personal moral justifications alone inadequate. Moral claims of economic justice or injustice must be relevant and realized in the public arena in which commerce occurs, which is characterized by moral pluralism: different persons might appeal to different comprehensive views of justice derived from sources not accessible to others, such as religious, ethnic, or philosophical traditions. To achieve the intersubjective validity that claims of justice require,

statements of justice must be able to pass the test of critical reflection and public deliberation; they must be based on intersubjectively justifiable standards of justice derived from a nonmetaphysical, universal principle. (Wettstein 2009, p. 29)

That universal principle, Wettstein proposed, was “the ideal of equal freedom for all human beings” (p. 33). To fully examine his proposed principle would lead this book far into moral philosophy, but it can at least be pointed out that Aristotle also pointed to equality as central to all dimensions of justice, as did Bentham and Mill in their definitions of utility and John Rawls in his first principle of justice. Wettstein’s principle lies within a long-standing tradition of thought on intuitions of justice.

Working backwards, then, claims of economic justice must be validated in the public arena through critical reflection and public deliberation, and it is a central purpose of business schools to prepare students to make good on these claims, which are necessary to justify the economy as an institution—or, if not, to require its reform.

Justice and the reforms generated by validated claims must be understood as provisional agreement on solutions to issues or conflicts at hand. We should not expect the same kind of gradual convergence of reasoning and evidence toward a settled conception of the good and the truth as we see in the natural sciences. In a pluralistic democratic regime such as ours, justice must be negotiated, and no substantive determination of it will be final for all time and places. Conceptions of the good can be expected to change as new evidence is discovered and new social and personal perspectives enter the discussion. The best we can hope for is agreement on an ordered priority of values, virtues, and evils according to which we can construct public policy and make public investments (Hampshire 2000, p. 68).

## 1.2 Business Education

To make the realization of a just economy a central aim of business schools requires some sense of how and where it fits within the curriculum. I believe this can be addressed from two directions: the fundamental economic functions of work and welfare, and the specific expectations of managers.

Work is often considered instrumentally in economics as a means of acquiring property or earning income. Moral justification then pertains to employability, the conditions of employment, and compensation. This instrumental focus overlooks the fact that work is also a basic source of human meaning: it is part of the creative engagement of persons in their world and a fundamental way in which persons come to understand themselves and to take a meaningful role in their communities and families. It is often through work that we make ourselves who we are, as we also make our world what it is (John Paul II 1981). Meaningful work is therefore one essential claim in a just economy and thus a central concern of business education.

Welfare is necessary for survival, and one of the basic tasks of all communities and societies is to provide for the general welfare. Although economic activity can be pursued for other reasons, such as individual advancement or rivalry, those reasons are subordinate to the survival and thriving of the group as a whole without which the subordinate reasons become meaningless. In his careful study of the implicit moral requirements of economic efficiency, Walter Schultz (2001) included “a right to welfare” among five moral rights needed to achieve efficient outcomes in a market economy, the other four being property rights, a right to true information, a right to autonomy, and liberty (2001, pp. 99–104). A right to welfare—understood by Schultz as “commodities necessary for subsistence”—is necessary to sustain competitive behavior, which is in turn necessary to sustain “conditions that enable continual achievement of efficient trade” (p. 102). Schultz’s analysis tied the externally focused assessment of welfare benefits to the efficiency and therefore the viability of the market as a whole. At the same time, it highlighted the possibility that what looks like efficiency within the organization might undermine overall or long-term efficiency in the marketplace.

The conflict between market efficiency and organizational advantage is reminiscent of the conflict Thorstein Veblen (1904/1999, 1921/2006) identified between the machine process and the business enterprise, the former being concentrated on universal standards of technical efficiency and the accuracy of information, and the latter concentrated on managerial efforts to increase organizational profit and competitive advantage. This highlights the second direction for business schools in working to realize a just economy: to what end do managers manage, and by what standard is their success judged?

Rakesh Khurana answered these questions in his historical investigation of the aims of business schools in the U.S. from their origins in the late nineteenth century to the present, capturing the shift in purpose in the title of his study, *From Higher Aims to Hired Hands* (2007). The declared purpose of business schools when they

appeared was the induction of managers into a profession dedicated to the general welfare.

At the center of the idea of professionalism that shaped the founding principles of American business education was...an individual's sense of obligation to work steadily and reliably at a calling, to subject all of his activity to a rationalized discipline in the service of a higher end than self-interest... It was precisely the promise that business schools would socialize managers into a culture of professionalism—thereby legitimating managerial authority in the face of competing claims to corporate control from the socially disruptive forces of capital and labor—that gave rise to the university business school in the first place. The autonomy and authority of professional managers would be rooted not only in expert knowledge but in their obligation not to represent the interests of either owners or workers—much less of themselves—but to see that the corporation contributed to the general welfare. (Khurana 2007, p. 324)

Khurana chronicled the the expansion of the business school curriculum over the years as scientific management, rational management, and the business disciplines crowded out the ideals of professionalism and social responsibility. All along the way, business schools served the social values of self-interest for students and for their employers, acting as a credentialing and screening service for management and socializing managerial candidates into the prevailing norms of the business world (Buchholz 2009, p. 212).

Management toward a just economy would require integration of social needs and goods into the curriculum, with each academic discipline directed to serving the good of clients, consumers and the overall good of society in terms of health, human capital, and the environment (Buchholz 2009, pp. 206–209). The meaning of managerial efficiency would be expanded from organizational advantage to include social welfare, bridging the conflict Veblen identified between the business enterprise and technical efficiency and contributing to the efficiency of the economy overall at the societal level (Schultz 2001). Whether this can or must be the professionalization of management as proposed by Khurana and Nohria (2008), business education must move in this direction. Schools that do so could have a competitive advantage in attracting students and placing graduates who understand the social context of business and can manage effectively and ethically in a pluralistic political environment.

### 1.3 Business Ethics Education

The twin pillars of business ethics education have been moral formation and legal compliance. Although ethical theory and moral formation would have a logical priority over law, education for legal compliance has a practical priority as the immediate context within which business decisions are made.

Education on legal compliance is relevant throughout business operations and business culture through accounting and auditing, financial reporting, ethical codes, training, risk management, public relations, legal counsel, liability insurance, human

resource management, financial controls, board oversight, and the caution of leaders. The regulatory environment of most businesses is extensive and complicated, ranging from incentives and disincentives to penalties and criminal indictment. To learn and follow “the rules of the game” as Milton Friedman (1970) prescribed is, in itself, a demanding task, and the extensive rule-making can give the impression that all social concerns have been embodied in law. The extensive nature of legal compliance creates an impression that all responsibilities are clearly differentiated, with legislators responsible for the common good and the social welfare, and managers responsible for maximizing profits and generating wealth and wages. As an ideal, the exercise of these two responsibilities would converge: “In a well-regulated public arena, maximizing owner wealth shouldn’t be too different from maximizing societal wealth” (A. Bellas, personal communication, December 11, 2013). Whether or not this ideal is satisfied in fact, it is assumed in business schools. In such an environment, managers can be convinced that concentrating on the competitive advantage of their firm and, by extension, their own self-interest, they are fulfilling any and all social obligations attached to the manager’s role.

It is thus not surprising that the duties and ideals emphasized in business schools reinforce self-interest, profit-making, and even rent-seeking much more than the broader social purpose of business and the social responsibility of managers and owners (Gioia 2003; Mangan 2006; Promislo and Giacalone 2013; Quelch 2005; Stiglitz 2012; Toubiana 2014). It is the prevailing view in the for-profit sector that each industry is free to pursue its own advantage within the regulated marketplace as established by law.

It is not the case, however, and indeed it has never been contemplated, that business leaders will sit on the sidelines and passively accept whatever rules of the game are established by political leaders. Businesses in the U.S. have always attempted, to the extent they can, to write the rules they will follow: lobbying for specific legislation, targeting campaign contributions to elect sympathetic candidates, and cooperating with regulatory agencies—at times pressuring these agencies—to translate laws into rules more conducive to business interests. All of this political activity on the part of businesses takes place in a political environment where the pursuit of self-interests is taken for granted, where political leaders routinely ask voters, “Are you better off today than you were four years ago?” This view of self-interested political ethics was endorsed by the U.S. Supreme Court in *Citizens United v. Federal Election Commission* (2010) in ruling that Congress may not attempt to restrict political speech according to its content apart from “preventing quid pro quo corruption” (p. 45); that “No sufficient governmental interest justifies limits on the political speech of nonprofit or for-profit corporations” (p. 50). It is left to the checks and balances as defined in the U.S. Constitution to balance self-interests through representative government and thus arrive at the realization of the public good. Again, whether or not this ideal is satisfied in fact, it is assumed in business schools, and managers are reassured that their pursuit of profits and self-interest through government influence fulfills their social obligations and is in fact necessary for the public good to be achieved—as though by an invisible hand, without intending it, to invoke a well-worn metaphor.

The educational focus on compliance therefore suffers from serious shortcomings, the most profound of which is a contradiction in educational aims. On one hand, we urge students to look to government to correct market weaknesses with “interventions” such as expansion of educational opportunities, access to new markets, limitations on monopolistic behavior, improvements in worker safety, amelioration of harmful externalities such as pollution, or extension of economic benefits to reach underserved or undercompensated populations. A vast regulatory apparatus in all areas of the market has grown up around such interventions. At the same time, we teach students to bend the legislative process to their own advantage to the extent they can, seeking interventions for the sake of self-interest even if they are presented under an umbrella of social benefit. Not surprisingly, this regulatory apparatus is criticized by some economists as the result of corporate rent-seeking (Stiglitz 2012) and by others as a dangerous expansion of government control of the economy that risks political or bureaucratic misdirection and may suppress the dispersed power of the marketplace to respond efficiently and effectively to needs and opportunities (Hayek, 1944/2007).

This contradictory ethical and legal context compromises the moral education aims of business schools. Dependence upon public sector regulation to solve social problems or achieve social welfare aims belies the fact that legal solutions are instituted only after substantial damage has been done to persons or environments—after moral obligations have failed to be met. Thus, to the extent that law substitutes for moral self-regulation, it displaces a sense of social responsibility and at the same time cultivates a detrimental pressure toward minimal compliance. Law is not always a good teacher or, too often, it teaches too well the wrong lessons. In the final analysis, dependence on law suffers from all its familiar limits: too broad in reach, too rigid in application, too partial in creating exceptions, too weak in incentives or penalties, too costly to administer and monitor, and unevenly enforced.

Within this contradictory context of compliance, business ethics education has two critical functions: one *ethical* and one distinctly *moral*. Following the common distinction between these terms (Lee 1928), I understand morals to be socially embedded norms, values, habits, and commitments that shape and inform the judgments of individuals, whereas ethics is understood to be critical rational reflection on morals. The *ethics education* needed by business students would address personal and social obligations articulated and deliberated in the public arena or embodied in law, including the ability to rationally extend or apply these obligations as new situations arise, both internal to the business and in its social context. The *moral formation* of business students begins long before matriculation in schools of business, in the families and communities that shape the values and attitudes that dispose students to operate businesses with attention to the good as well as to the money they make.

## 1.4 An Expanded Educational Agenda

As business schools continue educating managers and leaders for a free market competitive economy and assume this economy is the preeminent means to the general welfare, they must assume responsibility as well to prepare students to realize this fundamental institutional justification and aim. To meet this responsibility, business education must be expanded to include strategies for social benefit, and business ethics education must be expanded to include preparation in a practical framework for public ethical leadership and formation in a particular set of moral norms and attitudes that are central to management in the marketplace.

### 1.4.1 *Expanded Aims of Business Strategy*

In regard to business strategy, increasing efficiency for profits and market share has not proven to be enough to achieve the broader social aims of the economy. It is therefore necessary to make achievement of these aims an explicit and intentional responsibility of managers. In effect, this responsibility would mirror the generally accepted characteristics of professions, whether or not management was specifically defined or organized as a profession.

In general, every profession is publicly committed to provide “an important service to society...important for individuals to realize the values they seek in their personal lives—health, wealth, justice, comfort, and safety” (Bayles 1981, pp. 7, 10). This commitment has a fourfold bearing. Most familiarly, professional commitments can be interpreted *individually* as directed to the good that each particular profession is expected to deliver to each client. It is not enough for medical doctors to correctly perform a surgery if it does not improve the health of the patient. Similarly, it is not enough for the contractor to build the house if it does not shelter the homeowner, nor for the automaker to promote the safety of voice-activated phones if they make the driver less safe. A second essential dimension of professional responsibility, at least as professions are practiced in the United States, is a commitment to operate in accord with the *liberal values* of society such as liberty, equality, and privacy (p. 6), especially those elements of procedural fairness that are essential in fair treatment of employees, customers, and suppliers. Penalizing employees for their political views might appeal to owners’ sense of personal priorities, but it would run counter to employees’ rights as citizens. Thirdly, professionals commit to *serve their profession* (p. 8) not only in mutual aid and the education of new members, but even more by upholding the good name of the profession and the public’s trust in that profession. Lastly, all professions—by virtue of the privileges they receive to control their own education and practice—are committed to the larger *welfare and values of society* (p. 11). Each profession and all professions together serve the common good through their contributions to quality of life.

Business management as a profession would therefore be dedicated to honoring the business sector's public commitments and upholding the good name and continued respect of all managers, as all together share responsibility for the public perception and protection of business enterprises and markets. These commitments are in fact matters of business strategy, whether they are recognized or not. They are core concerns of management and not optional supererogatory excellences for a few outliers. To put it simply, "Business exists to serve society and enhance the well-being of the members of that society; the society does not exist to serve business and its interests" (Buchholz 2009, p. 206).

### ***1.4.2 Expanded Aims of Ethical Leadership***

Given the legal framework that provides a context for business ethics, education for ethical leadership must begin with the rights and rationales embodied in law and regulations so that students can better navigate the many judgment calls in business operations in a manner consistent with the ethics behind the laws—and even to challenge the laws where ethics are lacking. This education would fill the gap between moral education and enforcement and at the same time provide the knowledge and skills to achieve a central aim of business education: responsibility to improve social conditions and provide broad social benefit as a requirement for a just economy. To name justice as the ultimate criterion of business success makes it clear that economic outcomes are *intentional* rather than impersonal or automatic effects of market activity.

Because they are intentional, economic outcomes call for external ethical accountability as a matter of justice. The complexities of economic arrangements pose a serious challenge in matters of justice and point to the need for systematic external public processes in order for accountability to be effective. Something analogous to exercising accountability to law and regulations through courts and public hearings is needed, that can provide for protection of individual rights, accuracy and objectivity of information, fairness and inclusivity in deliberative processes, and publicly justifiable outcomes. One well-developed means available is public deliberation, which can be organized and conducted according several models to address issues at various levels of complexity, geography, and urgency.

The prominent public influence of business owners and managers calls for explicit preparation in public ethical leadership. The demands of justice, in particular, call upon business leaders to recognize the ethical dimensions of business operations and impacts, in particular externalities and operations related to resource acquisition, production processes, product quality and utility, and demands on public infrastructure. To handle these responsibilities, managers need the ability to translate moral liabilities and obligations into terms of public reason, that is, reasons and values that can be understood in a morally pluralistic public arena. Managers will also be called upon to take a leadership role in designing, convening, and leading public deliberations that can clarify the ethical concerns at stake, the liabilities or obligations of

various parties, and the terms for a just resolution. As public leaders, in short, they should be prepared to translate these conflicts into ethical reflection in the public arena and to work to resolve these issues and conflicts in accord with justice.

### ***1.4.3 Expanded Aims for Moral Formation***

Whereas ethics education addresses the public accountabilities of participation in a just economy, moral formation is expected to cultivate moral habits, loyalties, values, and commitments of business management that are mindful of the public good. Given the social nature of human beings, it is critically important to assess the moral norms that govern business activity and are affirmed by respected managers. The public image of success has moral force in shaping the moral attitudes being nurtured in businesses and business schools, and students entering the management field aspire to excel in the norms and practices that are modeled by those managers considered the most successful. The social and moral norms governing business practice and the values defining business success are nurtured, in turn, by the norms and values of the surrounding society.

The ethical behavior of any segment within society is generally not without roots in the more general aspirations of that society as a whole... The notion that wealth is primarily if not exclusively economic in nature is widely shared in Western industrialized societies. The creation and acquisition of material wealth are what these societies are all about, and money is what an acquisitive society values above everything else. (Buchholz 2009, 205)

It cannot be expected that business schools can prepare managers to be impervious to their surrounding social culture, nor even less that schools can change the culture. Rather, business schools must take seriously the moral hazards inherent in management and prepare leaders and managers to rise above these influences and to practice their profession consistent with the larger social purpose of business.

The key to resistance and reform is attitude formation. Attitudes serve as internalized moral agendas or “schemas” that guide individual interpretations of decision situations, predispose us to particular decision pathways, and strengthen or weaken our determination to follow through on a course of action (Curzer 2014). This aspect of moral formation therefore involves a process of socialization into alternative attitudes. Education that exhorts each individual to be clear and courageous in her or his own values is not sufficient. Despite the fact of individual moral autonomy and the power of individual conscience to determine for the individual what is right and good, each individual’s moral behavior is grounded in and continually guided by the prevalent moral attitudes in the groups that matter most in regard to the behavior in question. Conscience and the authority behind it are socially grounded in a continually recurring circle of action, observation, and approval or approbation. This social dynamic forms the moral attitudes of the members of the group, which in turn informs their decisions and guides their behavior. We always act in a moral context.



Even where moral norms are clear, their moral force can be diluted by uncertainty or inconsistency in moral attitudes, as widespread deviations indicate. It is clearly wrong to drive while intoxicated, yet many people excuse themselves in particular cases. With the same ease, individuals excuse themselves in academic cheating, in under-reporting certain kinds of income such as from tips or barter, in complying with environmental mandates or load limits on roadways, and in many other widely known and frequently excused behaviors. For this reason, any effort to shape or direct moral behavior depends upon the moral force inherent in moral attitudes, which is based on the moral values and norms of the group or groups that matter to the individual.

Business schools must therefore embrace moral formation as a matter of pervasive consistency in support of moral values and norms oriented to social welfare in business coursework, among business educators, and in rewards for academic achievement. To some extent, this effort would reflect a common feature of professions in policing their own performance, with formal procedures for bringing charges of malpractice and meting out punishments. More powerful than these formal procedures, however, would be the moral attitudes promoted in business schools and embodied in business educators that nurture students every day in the *three moral attitudes* fundamental to support behavior consistent with the explicit commitments to managing toward a just economy: honor, shame, and respect.

First, it would be essential to *honor* those who excel in fulfilling the social expectations of business by highlighting their performance in the eyes of their fellow students, in the larger management community, and by extension in society as a whole. A Teacher of the Year selected and honored for consistent support of business as an engine of social good would communicate moral values to members of the profession everywhere and would remind the surrounding society what really matters in a good teacher. Second, it is necessary to communicate disapproval as well, generating a sense of *shame* when students and managers fail to recognize, appreciate, and implement the social expectations of a just economy. Even so, it must be remembered that “shame is a painful emotion, and the outcomes of shaming are sometimes very uncertain” (Jacquet 2015, p. 151). Disapproval without the possibility of restoration is destructive, but shame deployed for the sake of reform and reintegration into the practice of the good can be very salutary. Third, business schools can cultivate a sense of *respect* for fellow managers as co-authors of a shared agenda of social good, as well as respect for those who are to benefit from the profession. This includes respect for the dignity of each human being who engages in business as a manager or worker, as a person having the inherent capacity to choose his or her own understanding of a good life and deserving the opportunity for meaningful work that “corresponds to man’s dignity, that expresses this dignity and increases it” (John Paul II 1981, n.9).

## 1.5 Social and Philosophical Foundations for This Agenda

The *philosophical foundations* of the approach taken here to address business ethics as the pragmatic pursuit of the good fall directly in the line of moral reflection and criticism introduced by John Dewey. As elaborated in Chap. 8 (below), Dewey challenged the notion that ethics was a field of human thought and endeavor existing on a higher plane than the work of earning a living, advancing the sciences, building community, or any of the other enterprises undertaken by humanity. Ethics, for Dewey, was simply the attempt to make decisions in circumstances of uncertainty that might achieve as much good as possible—meaning whatever good was at stake in those circumstances.

In this light, business ethics is a central part of business strategy, where strategy is understood to be an organizational attempt to arrange the means to achieve critically important ends and purposes. The purpose of the business and the strategies it pursues to achieve this purpose are the philosophical starting point for business ethics. Only on this foundation will it be helpful to reflect on the ethical theories of John Stuart Mill or Immanuel Kant in weighing duties or consequences.

This also means that the definition of the good is to be found in the affairs in question, not in some remote theory of thought or some otherworldly source. Again, such theories and revelations may be helpful in defining the good at stake here and now, but they enter the process of decision making as aids to reflection and not as the ultimate arbiter of value. Valuation belongs to the people involved as they can best understand the good and pursue it.

The *historical and political foundations* for business ethics follow closely upon this pragmatic approach to ethics. The United States was founded on the assumption of free enterprise as the preeminent pathway to social welfare and national strength. These very practical public outcomes, or goods, were explicitly understood to be supported by the individual pursuit of prosperity. It is only in this light that it made sense to tie the possession of private property to the exercise of citizenship: both entailed public duties, one to make and deliver the goods and the other to oversee and govern them. The U.S. was not organized as a welfare state because it was the role of business to provide for the general welfare.

The *social foundations* undergirding this American approach to welfare may not have been entirely clear to the nation's founders, but they have become clear in the present age through further discoveries in the social development of human societies. Humans emerged as a distinct species with built-in evolutionary commitments to a social life. Survival depended upon social provision and protection, from the nurture of parents through helpless infancy through the apprenticeship of adolescence and the social roles of adulthood. Human societies everywhere functioned as communities of exchange, governed in part by informal social controls and in part by overt and organized mechanisms of government. From beginning to end, these systems of exchange were governed by social norms, many of which had the significance and necessity of moral norms. Human societies—and the individuals comprising these societies—discovered within themselves already functioning moral

impulses of reciprocity, fairness, honesty, respect, generosity, and responsibility. These impulses were nuanced by circumstances of group membership or gender or numerous other features, yet always they were present in some form.

Taken together, these social and philosophical foundations provide a firm basis for the organization of education, both in defining its ends and designing its means.

## 1.6 Conclusion

Given the long history of business ethics education, it might be assumed that the educational foundations of this effort were clear and solid, but the short-comings in economic and educational outcomes suggest otherwise. A new effort to articulate foundations in social facts and a clear philosophy of business purpose are needed. Business education and business ethics education, to be truly sustainable, must be directed to the achievement of a just economy. Business schools need a curriculum to prepare students for leadership in public ethical deliberation and to nurture in students the essential moral attitudes to support a determination to succeed in business on these terms.

We have placed our trust as a nation in a conception of private property and competitive markets to extend material benefits to the whole of society. This historical and political fact is fundamental to our political and social constitution, and it is the foundation of our trust in business owners and managers to be diligent in realizing its aim. To take seriously the ethical justifications for the marketplace is to recognize that there is no viable alternative to the twin pillars of moral self-regulation among business leaders and public accountability for business operations and outcomes consistent with these social expectations. At the present time, faith remains strong around the world that a competitive market economy can provide for both individual improvement and society-wide distribution of wealth and welfare. This faith cannot be expected to last forever, however, as disparities in economic outcomes become greater and the influence of wealth in democracy becomes more complete.

Up to this point, it has generally been considered sufficient for business ethics educators to impart an understanding of the moral conflicts and legal considerations in managing business operations. This cognitive grasp of business ethics has been carefully developed over decades, and many students of management have been fully informed of this understanding. It is necessary to go beyond this classroom curriculum with a program of moral apprenticeship capable of forming moral values and moral attitudes and a program of leadership preparation capable of instilling the skills and knowledge to lead and participate in public ethical reflection on matters of justice involving business. The distinction between morals and ethics is central to this agenda, because the cultivation of socially embedded norms and values that inform the moral judgments of individuals in accord with their conscience requires a different kind of education than the preparation for public ethical reflection and deliberation on matters of justice.

In the proposed schema for business ethics education, moral formation through moral apprenticeship would give priority to cultivating *three moral norms*: the expectation that business contribute to human connectivity that can be the social basis for a sense of reciprocity in human affairs; the expectation that business contribute to overall human welfare, in particular material welfare; and the expectation that business contribute to individual self-esteem and self-determination, which has elements of both individual meaning and individual liberty. These norms would be supported by cultivation of *three moral attitudes*: a sense of honor in fulfilling the social expectations of business; a sense of shame in failing to recognize, appreciate, and implement these social expectations; and a sense of respect for the dignity of each human being in his or her legitimate pursuit of meaning and freedom through work.

In regard to *public ethical leadership*, *three skills* are proposed: the ability to recognize the moral dimensions or impacts of business operations, in particular externalities related to resource acquisition, production processes, product impacts, and demands on public infrastructure; the ability to translate moral liabilities and obligations into terms of public reason that can be understood in a morally pluralistic public arena; and the ability to take a leadership role in designing, convening, and leading public deliberations that can clarify the moral concerns at stake, the moral liabilities or obligations of various parties, and the ethical terms for a just resolution. The prominent public influence of business owners and managers calls for explicit preparation in public ethical leadership. The demands of justice, in particular, call upon business leaders to recognize both their obligations to social welfare and their involvement in public conflicts and to take a leadership role in convening and guiding ethical reflections that can frame their organization's commitments to advance the common good. Justice must be determined through public deliberation under the standards of public reason, and business leaders must play an active role in that determination. Business leaders do not sit on the sidelines and passively accept whatever "rules of the game" are established by political leaders, but instead they strive to define these rules. It is therefore essential that business leaders be prepared to exercise their public ethical leadership both skillfully and justly.

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# Chapter 2

## The History and Ideals of Business Education

**Abstract** Recent Wall Street scandals involving graduates from the best business schools have provoked questions about the methods and effectiveness of business ethics education. More specifically, educators and commentators are asking if the triple emphasis on personal career advancement, short-term business gain, and maximum shareholder value is overwhelming instruction in managerial ethics and social responsibility. Such educational cross-purposes raise the question of educational foundations. It is important to ask on what philosophical assumptions and social facts business ethics education was established, how well these assumptions and facts serve the educational enterprise, and if more solid foundations can be identified. These questions are addressed first in tracing the social and philosophical foundations of education in Western society, then locating the founding of American business schools in the historical conflicts and ideals of late nineteenth and early twentieth century education. The conclusion reached is that the current foundations of business ethics education are inadequate for a curriculum capable of preparing business owners and managers to achieve the social purposes of business.

**Keywords** History of education • Philosophy of education • Classical education • American education • Business schools • Professionalism • Scientific management

### 2.1 Introduction: The Historical Foundations American Business Schools

Recent Wall Street scandals involving graduates from the best business schools have provoked questions regarding how business and business ethics are being taught (AACSB 2004; Alsop 2007; Friedland 2009; Holland 2009). Some of the concern has been directed to whether or not business ethics coursework is required and what the course content has been. Others have wondered, however, if the emphasis on short-term gain and maximum shareholder value that dominates undergraduate and MBA programs is overwhelming any ethics or social responsibility being taught (Gioia 2003; Mangan 2006; Promislo and Giacalone 2013; Quelch 2005; Toubiana 2014). Educational cross-purposes such as these point to more fundamental

pedagogical concerns than course content or quality of instruction: they raise the question of educational foundations.

To be of any use, education must reflect the values of the society it serves. Lawrence Cremin defined education as “the deliberate, systematic, and sustained effort to transmit, evoke, or acquire knowledge, attitudes, values, skills, or sensibilities” (1976, p. 134). More specifically, formal education is designed to advance the most important values of the society’s elite, who invest the most in schooling, not only in time and money but also in political influence. This recognition of social hierarchy is sustained by the complementary fact that most learning occurs without the aid of schooling, in the myriad forms of nonintentional and unsystematic learning and instruction that occur in every society and through which much of every culture is handed down and reproduced. Education is a subset within this larger field of learning, so that education can be understood as a kind of crystalization of societies’ learning priorities, conflicts, and anxieties. The sustained effort we call education arises when some important area of learning is falling short of perceived needs or social ambitions. In the most general sense, the aims and conflicts in education display the shadow side or negative image of socialization, as a social solution to the dissonances or gaps in the socializing process.

In his study of the origins of business education in American universities in the late nineteenth and early twentieth centuries, Khurana (2007) chronicled the efforts of educational founders to ground their programs in business as a profession, with clear moral expectations. In doing so, they were speaking within an important stream of educational ideals as old as Western civilization itself in which learning is framed as a pursuit of the true and the good, where knowledge has a moral dimension, and study has a moral purpose (Reuben 1996).

At this point in business education, it is important to ask how well current philosophical assumptions serve the educational enterprise and if more solid social and philosophical foundations can be identified. These questions are addressed in this chapter in three stages: The first stage encompasses the social and philosophical foundations of ethics education in Western education from its origins in ancient societies to the reforms in nineteenth century American higher education. The second stage of investigation locates the founding of business schools and the ideals of business ethics in the context of these educational reforms and follows their development to the present day. Thirdly, the focus narrows to an examination of the historical and philosophical evidence of the centrality of self-interest as a moral obligation of business. The chapter concludes by identifying that self-interest as “self-interest rightly understood” (Tocqueville 1840/1990), self-interest with a social purpose, and which calls for a reorientation of business ethics education on the foundation of self-interest in this sense.

## 2.2 The History of Ideals of Higher Education

The most ancient and enduring understandings of educational purpose are cultural transmission and individual advancement. Education as cultural transmission has always had a dual function: recruiting young people into the cultural system and at the same time rehearsing and reinforcing adult beliefs and status (Wolcott 1987, p. 33). These two functions reinforce each other through the attention structures, social roles, and power relations that invest certain discourses and rituals with educative value.

The educational system is also organized so that the structure of the cultural system will be maintained. This is done by inculcating the specific values, attitudes, and beliefs that make this structure credible and the skills and competencies that make it work. People must believe in their system... They must also have the skills—vocational and social—that make it possible for goods and services to be exchanged that are necessary for community life to go on. (Lancaster 1975, p. 327)

If cultural transmission is understood as the conserving function of education, its second purpose of individual advancement is its progressive function. From the earliest schools in ancient Sumer, through the classical education of Greece and Rome, through John Locke's cultivation of the gentleman (1692/1902) and Thomas Jefferson's *Act to Establish Public Schools* in Virginia, schooling was seen as a family's investment in future income and advancement. This purpose prompted schools to place themselves at the leading edge of cultural development,

so that man, availing himself in succession of the accumulated wisdom and discoveries of his predecessors, is enabled more successfully to pursue and improve not only those acts which contribute to the support, convenience and ornament of life, but those also which tend to illumine and ennoble his understanding, and his nature. (*Act to Establish Public Schools* 1796, para. 1)

Jefferson's hope that the present generation would "improve" upon what they received indicates the progressive element that often accompanied educational proposals in the United States, alongside the desire to preserve the cultural wisdom and morality intact.

The tension between the conserving and progressive functions of education is most keenly felt in moral education. Because moral authority is rooted in society and carried by the attention and discipline of the local community, the pressure toward moral conformity is constant and urgent. The manner in which moral force is carried and the institutions by which it is reinforced can vary, but all must conform in the most central moral tenets or be marginalized. Rationalists and deists located the authority of their doctrines in universal moral principles; Christian conservers of church identity looked to authoritative texts or divine commands. In spite of these differences in reference, however, both taught the same Protestant Christian ethic, which also dominated the American school curriculum (Kaestle 1983, p. 76). Moral education was seen as the necessary and most important purpose of the school. Catholics and other religious groups who protested the dominance of the Protestant ethic fully agreed on this purpose, even as they were forced to depend on non-school instruction or, eventually, to establish and maintain separate educational



systems. Even so, despite this investment in educational diversity, the Catholic schools also conformed, over time, in substance though not in words, to the dominant American Protestant ethic (Gleason 1985; Lackner 1989; Lazerson 1977; Sanders 1990; O’Gorman 1987).

### 2.2.1 *The Ideals of Classical Education: Virtue and Ambition*

The very earliest records of formal education in the Sumerian schools from 300 B.C.E reflect these conserving and progressive priorities in their focus on teaching reading and writing as essential administrative skills to support the ruling class (Kramer 1973, 1979). Focus on the elite of society persisted as the Western educational tradition developed and achieved its lasting form in the life and literature of ancient Greece. The educational philosophy in Plato’s *Republic* was meant to represent and reinforce the class divisions of society, giving no attention to learning needed by workers who comprised the majority of the people of Athens. Plato dedicated part of Book II and most of Book III to the education of the guardians and all of Books VI and VII to his educational agenda for philosopher-rulers.

Roman schools followed this Greek pattern of studies in preparing young men for political and administrative roles. The pursuit of education to improve wealth and social status was characteristic of ancient Rome (Bagley 1974, p. 381). Cicero’s educational ideal of *humanitas* as “all that is worthy in man” was directed to the essential leadership skills that “could influence public opinion and state policy and thus be an instrument of power” (Gutek 1972, p. 57). The entire text of Cicero’s *Brutus* is a catalogue of Greek and Roman orators who were outstanding in their direction of public policy and thus history by virtue of their eloquence and understanding (Cicero, trans. 1776).

Politics and war were the chief but not the only means by which a Roman could achieve status. Others were scholarship and literature. Leading figures such as Cicero’s friend the jurist Sulpicius could maintain their prestige by achieving an unrivaled knowledge of the law. Antiquarian expertise was necessary in a polity that was heavily dependent on the interpretation of tradition... The religious apparatus of priestly colleges demanded detailed knowledge of the forms and procedures of ceremony and divination and it was necessary for some members of the elite to acquire it. (Everitt 2001, pp. 251–252)

The educational instructions that have come down to us stressed the importance of good character as well as the advantages of learning and eloquence. Quintilian pointed to Cato as the ideal orator, “a good man, skilled in speaking,” then went on to explain that “if the power of speech were enlisted in the service of wickedness there would be nothing more harmful to public and private interests than eloquence” (Quintilian, trans. 1938, Bk. XII, p. 108). He also worried that his book might be read “for base purposes and for the amassing of ignoble wealth” rather than public service.

The orator, then, is a good man and such a man cannot be conceived without moral excellence; moral excellence, though it drives certain impulses from nature, must yet be perfected

by training. Before all else the orator must in his studies cultivate morality, and he must deal with all subjects that touch upon the honourable and the just, for without these no one can be either a good man or skilled in speaking. (Quintilian, Bk. I, p. 67)

He went on to point out that “everything that is said about equity, justice, truth, goodness, and their opposites, belongs to the orator’s province” (Quintilian, Bk. XII, pp. 120, 121). Although he cautioned that the orator need not be a philosopher, he had to know enough philosophy to guide public affairs rightly and to manage his own affairs respectably, with honor. It is important to note that for ancient authors, moral education referred not only to public responsibility but to one’s public bearing, characterized by “austere integrity” and “manly strength” as opposed to “effeminate and vicious refinement” (Quintilian, Bk. I, p. 41). The moral education of orators therefore began in childhood, to cultivate the proper attitudes and physical bearing, the proper use of gesture and voice, in order to strike a proper and dignified pose at all times when in the public eye (P. Brown Brown 2012b). Like Cicero 150 years earlier, Quintilian had his favorite examples, both good and bad. What no one questioned, however, was the practical value of education—including moral education—for success in public and private affairs.

The personal history of Augustine provides an excellent illustration of this combination of personal ambition and public duty. Aurelius Augustinus began his public career as a teacher of grammar in Thagaste, North Africa in 373 C.E. and completed public service as the Christian Bishop of Hippo in North Africa for 35 years, 395–430 C.E. His father Patricius was not wealthy but had enough means to put his son through school, in hopes that through “the rewards of a career in teaching or administration, his son might break into the inner circle” of local dignitaries in Thagaste (P. Brown, Brown 2012b, p. 152) and thus ensure financial security for the family. Augustine apparently set his aims higher and succeeded in acquiring a wealthy patron who supported him for 12 years as he completed his education, began teaching in Thagaste, and then seized the opportunity for a position teaching rhetoric in the imperial city of Milan. Like other promising young men, Augustine saw the pathway to status and wealth in imperial service. Although he was at a disadvantage compared to the Roman *nobiles*, who had access to public office by virtue of family connections, Augustine could realistically hope to secure good-paying administrative positions and, even more so, acquire a wife from a wealthy and established family. “I looked with longing at honors, wealth, and marriage,” he admitted later, and his mother succeeded in arranging a marriage to a young girl: “She lacked almost 2 years of the age of consent,<sup>1</sup> but since she appealed to me, I was willing to wait for her” (Augustine, trans. 1960, Bk. 6.6.9 and 6.13.23, pp. 140, 152).

Augustine’s educational and public ambitions were not unusual in the Roman Empire of the time, and Peter Brown (Brown 2012b) described numerous examples of early Christian leaders who followed a similar path. Despite misgivings about conflicts with biblical teachings, early Christian leaders were educated in the

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<sup>1</sup>“The legal age of consent to marriage was 10 years” (Augustine, trans. 1960, p. 388, n.3).

classical schools and adopted the same curriculum to prepare ecclesial leaders in the *studium generale* of the cathedral schools and the *universitas* of masters and students, both of which taught the *trivium* of grammar, logic (or dialectic), and rhetoric followed by the *quadrivium* of arithmetic, geometry, astronomy, and music (Gutek 1972, p. 76). The final course of education for the clergy was theology, and the ultimate aim of studies was a seamless unity of knowledge, natural and divine, with truth and goodness in harmony. In a manner entirely consistent with Cicero and Quintilian, the Christian church connected good morals with success in leadership. Medieval monks, for example, were instructed in the pagan classics to “develop their taste for the beautiful, their literary subtlety, as well as their moral sense” (Leclercq 1982, p. 119).

Medieval education remained limited to the wealthy and the clergy, but with the transition to the Renaissance there was gradually increasing attention to skilled professions such as architecture and law, as well as commerce and navigation (A. Bagley, personal communication, October 1994). With the Reformation and invention of the printing press, the new Protestant denominations encouraged wider readership of the bible. The Catholic Church followed quickly with its own education for the poor, carried out by religious orders. But the most powerful incentives for broader education came from nationalism and commerce. The emergence of nation-states from feudal Europe brought “the growing use of vernacular languages, the creation of vernacular literatures, and a sense of national pride, particularities, and values,” which led in turn to “national educational systems that stressed vernacular languages and national loyalties” (Gutek 1972, p. 118). The new nation-states assumed control of schools, educational aims, and curricula.

These political changes were accompanied by and, to a considerable extent, brought about by an explosion in commercial activity. Merchants and kings worked hand in hand to explore new lands, expand colonial exploitation, and protect national industries and agriculture—in short, a national policy of mercantilism. This commercial revolution brought an educational revolution with it.

The new commercial class was clearly distinct from the rural aristocracy and peasantry. After it had gained economic power, the new class sought political power commensurate with its economic position. In education, the middle class desired more useful subject matters and often established its own schools through voluntary action and donations. Whenever possible, this class also encouraged the creation of state and municipal educational systems. (Gutek 1972, p. 118)

These overlapping religious, political, and commercial revolutions were equally dependent upon education, which greatly expanded in scope to include more subjects of study and in scale to include more students. For the first time, literacy came within reach of lower and struggling middle class and even poor families. Educational reformers such as Comenius, broadly educated in theology and science, experimented with new education methods while maintaining continuity with the classical curriculum. Their schools had to meet the practical needs of nation and commerce, but at the same time they believed and taught that all of the expanding studies led ultimately to knowledge of God and the virtues of wisdom and piety (Gutek 1972, pp. 134–135).

### ***2.2.2 The Ideals of American Education: Equality Among Unequals***

During the Protestant Reformation the utilitarian purposes of education became a duty (Gawthrop and Strauss 1984, p. 38; Luther 1524/1889), and in Yankee-dominated New England the duty became a virtue (Cremin 1976, p. 23; Gutek 1972, p. 156). This utilitarian educational agenda spread throughout the North American colonies, varying by region and with a characteristic American slant toward decentralization. The New England and middle colonies experienced rapid expansion of schools, especially in larger towns and cities but also in rural areas, establishing “literally thousands of them, teaching every manner of subject, art, and skill” and accompanied by 40 printing presses in the 13 colonies (Cremin 1976, pp. 30, 31). According to Cremin, literacy shifted in its purpose on American soil from “inert literacy to liberating literacy” (p. 32), stimulated by religious awakenings and political and economic opportunities. The level of literacy grew during this period to surpass that of Europe, so that by the dawn of the American War for Independence over half of the white men in the colonies could read (Kaestle 1983, p. 3), with rates at nearly 100% in some parts of New England. Literacy rates were much lower in the South, where black slaves received no education at all, wealthy plantation families tutored their children at home, and middle class and poor families paid for schooling through churches or “old-field schools”—teaching elementary subjects in log structures built in fallow fields (Kaestle 1983, p. 193).

Benjamin Franklin was perhaps the American colonies’ most articulate spokesman for education as the pathway to prosperity for those not born or married into wealth, position, or land. His vision of education through academies stressed the practical skills of mechanics, agriculture, drawing, and especially reading and writing the English language (1749). He did not neglect the classical studies in his proposal, but his words and reputation fostered a combination of ideas that became an American ideal stressing personal initiative, hard work, social conformity, and practical studies as the way to future prosperity.

During the same colonial period, nine institutions of higher education were founded, all “as a means of perpetuating the ruling class” (Sadovnik et al. 2006, p. 62). A university education was seen as essential for the life of a gentleman and, by extension, a life of public leadership and economic connections (Wood 2009). These universities retained the classical ideals of the unity of truth and goodness, knowledge and morality, personal success and public good. The first generation of political leaders came exclusively from the gentleman class, and it was their assumption that leadership would remain with those who were freed by wealth to attend to public affairs. Their proclamations of equality were intended for their equals. What happened was something else, however, as Edmund Morgan observed: “The creed of equality did not give men equality, but invited them to claim it, invited them not to know their place and keep it, but to seek and demand a better place” (Morgan 1973, p. 308).

The impulse was both economic and political. Economic equality meant having an “equal chance or opportunity to develop their talents and not be handicapped by inherited status of family, property, or class;” politically, the claim was more definitive in opposing the hierarchies and inherited privileges that marked European regimes of nobility (Butts 1978, p. 10). Widespread agreement on the *goal* of political equality eventually opened a pathway to publicly funded universal schooling in the United States, embodied in the Common Schools movement in the first half of the nineteenth century (Butts 1978, p. 93). Despite sharp disagreement on what that equality would mean in regard to public leadership, that same political goal set the stage for the Morrill Act of 1862, which established the land grant colleges with the aim of spreading the benefits of education to all citizens.

Until the Morrill Act, college education was mostly about liberal arts. It was almost exclusively for white men from wealthy families, graduating with degrees in philosophy, medicine, law or religion. The 1862 legislation was designed to support a more hands-on curriculum, useful training that would help the new nation develop a more sophisticated industrial base and a scientific approach to agriculture. (F. Brown, Brown 2012a, para. 7)

The next 50 years saw extraordinary social change across the country with rapid industrialization, pervasive expansion of railroads and telegraph service, urbanization, immigration, and the closing of the Western frontier with the final defeat of the Lakota, Cheyenne, Nez Perce, and Apache nations. After the American Civil War, immigrants in great numbers looked to schools as the route to the American dream of prosperity. For the many who needed to learn the English language in order to enter the workforce and for those who sought training for the professions, the schools played a role in their economic advance. For immigrant children, the socializing influence of the schools was a more important preparation for employment than the curriculum.

### ***2.2.3 The Ideals of Nineteenth Century American Education Reform: Conflicting Agendas***

Revolutionary changes in transportation, industry, urbanization, philosophy, and science fueled the factions vying for political influence in the second half of the nineteenth century, all of whom sought to advance their political agendas through education. The effects of industrialization were dramatic in displacing cottage industries and small farmers, stimulating urbanization, and rapidly expanding communications and the availability of an ever increasing selection of manufactured goods across the vast country. At the same time, it gave rise to a large working class no longer attached to the land but to the company and weekly paycheck—and to the owners and managers of these enterprises, who were emerging as powerful competitors with government for the control of the economy and the direction of

national policy. This political contest between laborers and industrialists was complicated by a nation-wide alarm among small farmers, who saw their way of life and their communities being uprooted by the industrialization of agriculture and their loss of political influence. These socio-economic divisions were translated into calls for education reform with conflicting goals and political constituencies (Ross 2015).

These conflicts remain unresolved today, and after 100 years of competition for public loyalties and public funding, they are embedded as contradictory purposes in our educational institutions from early childhood education through graduate studies in American research universities.

Different scholars have identified the conflicting agendas in similar ways, with some significant differences that help to fill out the background for the emergence of business schools at the end of the nineteenth century. The three competing directions for educational purpose and reform identified by R. F. Butts (1978) provide a very useful framework, still relevant today: mental discipline, social efficiency, and civic responsibility. Butts described U.S. public education as the result of a

three-way tension...among three basic and persistent elements in American life: commitment to the republican goals for a cohesive and unified democratic political community; the pluralistic loyalties that give identity and coherence to different groups in the society—but which also often tend to divide or separate on the bases of locality, religion, race or ethnic origin; and the long-term modernization process that was gathering momentum in all societies of Western civilization in the course of the nineteenth century. (Butts 1978, p. 68)

As Butts pointed out, education embodied not only the tensions of society but its most cherished ideals: “the search for freedom, the search for equality, and the search for the common good” (p. 264).

The tensions identified by Butts are supplemented by the analysis of David Labaree (2010), who traced the conflicting agendas less according to their effects on the curriculum and more in terms of their intended effects on students and society: democratic equality, social efficiency, and social mobility. A third perspective was offered by Herbert Kliebard (1995), who identified four different parties of advocates: humanists, developmentalists, social efficiency educators, and social meliorists. What is immediately evident in these divergent purposes is that every perspective, taken by itself, has a coherent and defensible rationale for support. Even though a synthetic mind could find a way to weave them together, it is clear that advocates for each could mount a strong argument for funding and political support—and they have indeed done so.

Within the political history of American education summarized above, it is easiest to identify the advocates of *mental discipline*, led by presidents of the great universities (Butts 1978, pp. 188–190). These were the humanists, “the guardians of an ancient tradition tied to the power of reason and the finest elements of the Western cultural heritage” which they strove to preserve even while adapting to rapid social

change (Kliebard 1995, p. 23). Acting as the Committee of Ten on Secondary School Studies, they called upon colleges to renew their commitment to the traditional liberal arts curriculum—the *trivium* and *quadrivium* of the liberal arts—but updated with modern languages and the study of the new social and natural sciences, with the dual aim of fostering continuity with long-honored tradition of Western education and the power of modern logical and liberal thought. The ultimate outcome was to prepare men (nearly all students were men) for leadership. The high schools, they thought, could supply life skills for that much greater number of students who would never attend a college or university. The persistence of this commitment to the classical tradition of higher education was eloquently demonstrated by Barry Schwartz in his argument that the purpose of college is to learn how to think:

Knowing how to think demands a set of cognitive skills—quantitative ability, conceptual flexibility, analytical acumen, expressive clarity. But beyond those skills, learning how to think requires the development of a set of intellectual virtues that make good students, good professionals, and good citizens. (Schwartz 2015, p. B7)

He went on to identify nine virtues that the liberal arts and science curriculum was designed to inculcate in students: love of truth, honesty, humility, perseverance, good listening, perspective-taking and empathy, and wisdom. This is an excellent list of the best of the tradition of higher education as mental discipline: a combination of immersion in the classics of the Western tradition augmented by a grasp of the scientific method in its various disciplines and the “epistemic values—simplicity, accuracy, comprehensiveness, fruitfulness—that make some theories better than others” (Schwartz 2015, p. B8). Significantly, Schwartz did not rest his argument for the benefits of these studies on self-fulfillment or affective appreciation, but on the combination of virtue and personal ambition that has marked this tradition of higher education for over 2000 years: “Students who have training in the liberal arts will be not only better people and better citizens but also better professionals and employees” (p. B9). Augustine could not have said it better, when 1600 years ago he set out from Thagaste to offer his services to the Roman imperial court in Milan and to position himself to leverage his education into a good income and advantageous marriage.

The *social efficiency* agenda clashed with this tradition, as leading industrialists demanded that educators prepare students for the world as it was—and was becoming. Given the vast pressures of immigration and urbanization, these leaders of business called upon schools to prepare students for the workforce, both as managers and as laborers, with the dual aims of managerial efficiency and social control (Butts 1978, pp. 190–192). Acting for the good of the nation as a whole, schools should be devoted to assimilating new immigrants and sending them forth able to work in the factories and trades that were now the center of the economy and workforce. Writing in 1901, Edward Ross pointed to the decline in religious faith and practice, and stressed that schools now needed to teach the social restraints that churches used to provide (Kliebard 1995, p. 80). His contemporary John Franklin Bobbit proposed that schools should meet the greatest needs of the whole society with the greatest

efficiency possible: consider the school a factory and the superintendent an educational engineer, “institute a process of scientific measurement leading to a prediction as to one’s future role in life,” direct each person to the curriculum with best fit, and eliminate the waste arising from misguided freedom of choice (Kliebard 1995, p. 85). The notion that schools could teach mental operations such as reasoning and memory were fictions, Edward Thorndike declared in 1913: they should teach specific knowledge that was needed in the workforce, and that the curriculum should be focused on specific achievable goals (Kliebard 1995, pp. 92, 104). The humanists’ goals of mental discipline and virtue, like the Common School Movement’s rationale of teaching democracy and citizenship, may have served a purpose in past generations but they were not what was needed in the twentieth century. Humanists might object to measuring “future earnings to justify current costs” (Schwartz 2015, p. B9), but social efficiency advocates would applaud that kind of cost-benefit analysis. In today’s language, this is “the perspective of employers and taxpayers, who are concerned about the role of education in producing the job skills required by the modern economy (human capital) and seen as essential for economic growth and general prosperity” (Labaree 2010, p. 16).

Advocates for *civic responsibility* also seized upon assimilation as a primary purpose of schooling, but with the aim of integrating new citizens into American democracy rather than new workers into the workforce (Butts 1978, 192–196). They not only wanted all students to understand the demands of citizenship, but to also grasp their place in history and to assume responsibility to lead the nation forward into a dynamic and challenging future. Therefore the curriculum should stress critical thinking, ethical character, physical and mental health, personal vocation, and citizenship. Labaree called this “the political side of our liberal democratic values,” focusing on building the nation as a republican community and strong democracy (2010, p. 16). The aim was not merely to teach about government but, in the words of James Harvey Robinson of Columbia, to include all topics needed “to improve mankind.”

Community health, housing and homes, public recreation, good roads, community education, poverty and the care of the poor, crime and reform, family income, savings banks and life insurance, human rights versus property rights, impulsive action of mobs, the selfish conservatism of tradition, and public utilities. (Butts 1978, p. 195)

This clearly went beyond the basic call to citizenship represented by the Common Schools of the first half of the nineteenth century. The civic responsibility agenda coincides with what Kliebard called the social meliorist vision in which schools would help equalize opportunities socially and economically and foster greater equality between men and women and between workers and owners, breaking down divisions of privilege and power to achieve social justice (1995, pp. 24–25). To some extent, it also appealed to the social mobility agenda to give all students “the productive skills that qualify them for the jobs with the most power, money, and prestige” (Labaree 2010, p. 16). By the twentieth century, schooling was viewed predominantly as a means to getting ahead materially. John Dewey (1916/1966)



protested the reduction of education to training, but to a large extent training for upward mobility was what people expected and wanted.

In 1893 the Committee of Ten published a detailed program of studies for high schools modeled on a rather traditional college curriculum and the long-standing Western tradition of liberal arts education. Within a few decades it was decried as obsolete. As the percentage of youth aged 14–17 enrolled in high schools climbed from 7 to 50%, demand increased for a new curriculum that could be “more efficient in preparing students for the real everyday life” (Butts 1978, pp. 189–90). Butts pointed out that the demand for an updated curriculum did not change the basic role of schools as instruments of cultural transmission.

Sociologists have long argued not only that schools *do* follow the dictates of society, but that they *should* do so. By substituting the technical term “socialization” for the earlier term “social control,” modern sociologists have given more sophistication to the concept, but have scarcely placed less emphasis upon the importance of individuals picking up by “manifest learning” or by “latent absorption” the dominant values of the group to which they belong...

The primary purpose of education for social control, then, was not to acquire knowledge as such or simply to develop academic power; it was to prepare the individual for his role in an urban, industrializing, and capitalist society as it really existed. (1978, emphasis in original, p. 191)

Thus the educational context for the founding of America’s business schools was highly politicized and contentious but at the same time consistent at its core in fundamental purposes of cultural transmission and individual advancement. At the dawn of the twentieth century, the culture to be transmitted to a new generation was a Protestant ethic of hard work, an American tradition of self-determination and self-interest, and a Modernist faith in social and scientific progress. The aim of individual advancement was not only of personal importance but was seen as a means to further social progress.

## 2.3 The Ideals of Business Education in University Business Schools

### 2.3.1 *The Ideal of Managerial Professionalism: Moral Purpose*

The founders of American business schools asserted from the beginning that ethics education was central to their purpose (Abend 2013; Khurana 2007). The question of whether or not business and management should and could be taught in the university was not addressed, perhaps because the growing importance of the managerial function made it so highly attractive as an area of education. From the beginning, business schools adopted the assumptions of social efficiency as the predominant framework for management studies, thus claiming strong social purpose for both the curriculum and the graduates. Consistent with the agenda of social efficiency, the business curriculum and the growing importance of management fostered efficient use of labor and all other natural and human resources for the sake of social

progress and political stability. At the same time, university business education offered the opportunity for merit-based advancement into the managerial class, giving a nod to the educational agenda of social mobility. In an ironic twist, the upward social mobility of managers depended upon the efficient use of the human capital of the great majority of laborers who were assumed to not need to advance socially or economically. Thus, the graduates of the business schools became the elite representation of a widespread and popular educational agenda that was implicitly not expected to be widely achieved by the common laborer.

If social efficiency guided the business curriculum, it was the third direction for educational reform—the humanist and mental discipline agendas—that provided the rhetoric and rationale for the business ethics curriculum. University leaders projected a moral purpose for their programs: to establish business management as a profession imbued with the intellectual virtues and dedicated to meeting democratic social obligations. This purpose was consistent with contemporary efforts by the leaders of higher education to uphold the best of the Western intellectual and moral tradition, as represented by the report of the Committee of Ten in 1893. At the same time, business ethics education tilted strongly away from a strictly intellectual approach to virtue, emphasizing instead the practical virtues as articulated in the publication of *Cardinal Principles of Secondary Education* in 1918. The seven principles or goals promoted in the latter were (1) health, (2) command of fundamental processes, (3) worthy home-membership, (4) vocation, (5) citizenship, (6) worthy use of leisure, and (7) ethical character (National Education Association [hereafter, NEA] 1918). Three of these merit some elaboration as central notions of moral and professional education: vocation, citizenship, and ethical character.

*Vocational education* was expected to “equip the individual to secure a livelihood for himself and those dependent on him” but also “to serve society well through his vocation, to maintain the right relationships toward his fellow workers and society, and, as far as possible, to find in that vocation his own best development” (NEA, 1918, p. 13). The report was specific in its commitment to this wider understanding of vocation, declaring that education

should aim to develop an appreciation of the significance of the vocation to the community and a clear conception of right relations between the members of the chosen vocation, between different vocational groups, between employer and employee, and between producer and consumer. (NEA, 1918, p. 13)

Vocational education, in this perspective, was nearly synonymous with the duties of professions: “a sense of public duty...counterpoised to the simple maximizing of income” (Khurana 2007, p. 68). The Christian ideal of following one’s calling therefore survived but without explicit religious reference, providing a moral ground for personally meaningful and socially responsible work.

*Citizenship* education was to be based on a sense of membership in a community, a state, a nation, and ultimately in the world with an international perspective on social problems and responsibilities.

The following are essential: A many-sided interest in the welfare of the communities to which one belongs; loyalty to ideals of civic righteousness; practical knowledge of social agencies and institutions; good judgment as to means and methods that will promote one

social end without defeating others; and as putting all these into effect, habits of cordial cooperation in social undertakings. (NEA, 1918, p. 13)

The report continued at some length to elaborate instructional methods to foster a cooperative spirit among students and a sense of school community and loyalty. “The ideals of democracy and loyalty to them” received prominent attention, with particular interest in passing these on to immigrant populations (NEA, 1918, p. 14).

*Ethical character* was presented as the “paramount” objective of secondary schools. Two sides of moral education were emphasized: instilling “the sense of personal responsibility and initiative” and fostering “the spirit of service and the principles of true democracy” (NEA, 1918, p. 15). Thus the dual aims of moral education were set forth: one directed internally to moral character and discipline, and the other directed outward to service and citizenship. In this, the report echoed the themes of the earlier report on *Moral Values in Secondary Education* (NEA 1917), which declared the teaching of moral values the “paramount aim” of high schools. Moral education should build moral character, “to equip our pupils is fully as possible with the habits, insights, and ideals that will enable them to make America more true to its best traditions and its best hopes.” At the same time, “worthy initiative” should be combined with cooperation and directed outward toward “right living together in a democracy” (NEA 1917, p. 7). In this way, personal ambition was blessed as an part of ethical character as long as individual striving for success ultimately served the common good.

The NEA commissions that generated these reports were composed of many of the leading university leaders and educational officials who promoted the first business schools. They saw the high school curriculum as a transition from elementary instruction to college and university studies where those few qualifying candidates could prepare for leadership positions in education, politics, the professions (doctors, lawyers, and clergymen), and now business. As such, they modeled high school instruction on college expectations and incorporated two different ideals that were carried over into business education. One ideal was the cultivation of mental discipline and the investigation and creation of new knowledge as a public service and as a program for building strong moral character based on the virtues of the Western intellectual tradition. The second ideal envisioned a diversification of elective subjects and preparation for particular contemporary areas of work and modern lines of study, promoting open inquiry as the fundamental practice for moral uprightness and the path to the greatest social benefits overall (Reuben 1996, p. 76).

By the early twentieth century, the second ideal dominated considerations of moral purpose in higher education. Open-minded scientific inquiry was associated with a set of moral and intellectual virtues particularly suited to the historical moment of technological and industrial progress, what the historian David Hollinger called an “ethic of science”: clarity of thought, the search for truth, a commitment to universality, a passion for knowledge, patience, singleness of mind, humility, reverence, and imagination” (Reuben 1996, pp. 135–136). Diligence in exercising these virtues contributed to both personal moral development and social progress in solving social and economic problems and informing the best route to social reforms. Thus, the social sciences emerged as major preoccupations in the universi-

ties as the preeminent preparation of public leaders with a moral mission, securing at the same time the professionalization of public service and the moral leadership of higher education (Reuben 1996, pp. 160–167).

Business schools fit nicely into this dual ideal of moral progress. As leaders of business enterprises, managers were expected to operate according to scientific principles of social efficiency and economic utility. As public leaders, managers were expected to carry into their leadership roles the moral values and virtues of open-minded inquiry and the desire for social progress.

The founding leaders of university business schools had the additional incentive to imbue business with moral purpose, given their misgivings about the role of business in society. Abend (2013) highlighted their perception that business behavior was a major public concern, all the more so because of the economic power and political influence of big business. Thus, they made it the *raison d'être* of their business education curriculum to channel this energy in socially constructive directions. Abend documented their references to “complaints about unethical business practices, muckraking *exposés*, scandals, and demands that something should be done” (2013, p. 190). Notably, their rhetoric focused on the negative public perception of business rather than the problematic behaviors themselves, and their response to this negative perception was to declare a counter-perception: a highly visible commitment to form the moral character of future businessmen (they were all men at that point), “training of the consciences of their students in habits of spontaneous morality...[and] a strong ethical sense and a keen realization of the social obligations of business” (Abend 2013, pp. 177, 186). One leader’s declaration that “true success lies in developing character rather than heaping up gold” (Abend 2013, p. 179) amounted to a near-admission that success, commonly understood, was indeed measured in gold. Tellingly, Abend noted that he had no “quantifiable data about...how many people were influenced or convinced by what they heard or read, and changed their beliefs and behavior accordingly” (2013, p. 189), but perhaps that was considered unnecessary as long as the moral purpose of business schools was clearly stated and their declaration of intent was sufficient to justify university business education.

### ***2.3.2 The Ideal of Scientific Management: Ethical Neutrality***

Although schools of business were born in the cultural context of scientific professionalism and moral purpose, increasingly through the early decades of the twentieth century, business schools saw these moral ideals served through a singular concentration on scientific management (Khurana 2007). Given their preoccupation with concerns of resource acquisition, costs of operation, market competition, and profit maximization in business schools and in the marketplace, business instructors and business leaders saw their social contribution in terms of the growth of their own businesses and industries, and through this growth, the growth in American economic power and affluence. At the same time, the ideal that all scientific research was part of a grand unity of truth and moral progress was losing favor in the

universities. The horrors of World War I revealed a dark side to technological innovation and contradicted the assumptions of moral progress in Western civilization. In both the natural and social sciences, presumptions of moral value were seen as distracting from the experimental and observation-based pursuit of new knowledge, contributing to a general trend toward ethical neutrality in research: work with what *is* rather than what it *ought* to be, and ultimately this will advance each area of specialized knowledge on more solid ground (Reuben 1996, pp. 188–189). The legitimacy and credibility of business education depended not on its moral purposes but on the exchange value of its credential and the use value of the skills taught.

In regard to *exchange value*, the business degree could be seen as “a credential that can then be exchanged for something that is intrinsically valuable to the students, such as a good job and nice standard of living” (Labaree 1998, p. 6). In Khurana’s view, this treated the business degree as a “product” that business schools sold to students as customers, the value of which did not depend entirely or directly on the skills being learned (2007, p. 344). On the matter of exchange value, the evidence is clearly positive: a business school degree increased prospects for employment and for higher income.

The *use value* of the degree was more complicated. Ordinarily, it would depend upon the “set of skills and accumulation of knowledge” that would be useful in their future management roles (Labaree 1998, p. 6), which for business schools would be the efficiency claims of scientific management and the expertise developed in the component disciplines of business, with economics as the foundational discipline (Khurana 2007, p. 314). However, these skills could be and often were acquired in vocational schools or on the job. The true use value of business schools was instead to be found in “socialization into a new, or at least newly salient, perspective—one that...is eminently moral in nature” (Anteby 2013, p. 9).

Perhaps ironically, the use value of the degree rested upon a socialization process working in the opposite direction: from the workplace to the school. One reason for the higher employability of business school graduates was that corporations relied on the business schools to “establish what might be called competence hurdles... that demonstrate the ability of a student to leap over successively higher hurdles” (Jackall 2010, p. 44). Someone who could handle the social and performance pressures of school would be more likely to succeed in handling the same kinds of pressure in management. Without doubt, a certain level of competence would be needed in the workplace, and schools could provide that “rudimentary training in specific skills” (p. 45). Most important, however, was that managers be prepared to articulate credible reasons for the decisions being made—despite the fact that the most important decisions could not be determined by using the conceptual tools taught in the schools. It was essential that managers be able to provide a credible rationale for the decision, making their case in “a central organizational ritual—a kind of ceremony of rationality” that reinforced corporate and managerial legitimacy in the face of “market irrationality” (pp. 74, 75). Quite likely the early founders took it entirely for granted that strong moral character was the most important thing in business, as it was in all other areas of life or study, so that business educators could claim in good faith that “ethical behavior causes success; good ethics is good business”

(Abend 2013, p. 189) without a need for confirming evidence. However, university leaders quickly recognized that “business schools were falling far short of their professional objectives, especially with respect to training students to meet their social responsibilities” (Khurana 2007, p. 177). As business schools grew rapidly in the early decades of the twentieth century, their embrace of management as a science became more pronounced and their moral agenda receded further from view.

Wharton dean Joseph Willits, who had succeeded Emory Johnson in 1933, noted that many business schools had been sending their graduates “out with a social philosophy concentrated on the goal of ‘a million before I’m thirty,’” thus contributing to “society’s difficulties,” not to their solution. (Khurana 2007, p. 181)

Speaking to business deans at a meeting of the AACSB, Dean Ralph Heilman declared that business schools “cannot be justified merely by virtue of the fact that we enable our students and graduates to increase their earning capacity,” either through credentialing or through greater managerial efficiency. “All activities,” Heilman insisted, “whether in instruction or in research, presumably must contribute to social well-being...social progress and human welfare” (quoted in Khurana 2007, p. 178).

Nevertheless, the push for professional moral purpose, already weak in the first stage of the development of business education, came gradually to be abandoned by the end of its second stage in the late 1940s. As business schools thrived and expanded during this period, the notion of management as a profession withered and disappeared.

## 2.4 Conclusion

With the abandonment of management as a profession, business education relinquished its place among social sciences as professional preparation with a moral mission. The espoused moral foundations for business education—the commitment to develop moral character among managers in order to overcome problematic moral behavior and commit business to social betterment—proved to be weak foundations for professional education. Perhaps, as Khurana indicated (2007, esp. Ch. 1), business ethics education was from the beginning more concerned with legitimation than with moral conversion or character development. University entrepreneurs seized upon business education as an opportunity to ally themselves with wealthy and powerful business interests, using the moral commitments of professionalization to legitimize management as a social service and at the same time legitimize their business schools as academies of moral character. This path of development has left business ethics education lacking both effectiveness and credibility.

In sum, the founders of business schools posited three interrelated social and philosophical foundations for business ethics education: (a) the institution of management as a profession with moral obligations to social good and (b) therefore committed to shaping personal moral character to direct business to social betterment

and, at the same time, (c) to counter the public perception of problematic business behavior. All three were plausible, yet none of the three actually guided the development of the business curriculum or gave the educational enterprise its credibility in the eyes of students and employers.

What emerged instead were educational foundations located in quite different social facts and philosophical assumptions: (a) the fact that university studies in business enhanced employment opportunities, (b) the fact that business schools attracted large amounts of private funding to universities, and (c) a philosophical conviction that scientific management improved efficiency and thus profits (Khurana 2007)—even though the MBA has not been shown to actually improve business performance (Pfeffer and Fong 2002). These social and philosophical foundations have, at least until now, fueled the expansion of business schools and undergirded their establishment as a success story for higher education.

The clarity of these robust foundations stands in stark contrast to the apparent marginalization and weakness of business education as profession formation or as socialization for social responsibility. The argument continues to be made that managerial professionalism with a clear social purpose and clear standards as a profession could firmly establish management with a clear public identity, publicly committed standards of service, and internalized commitments to self-regulation (Khurana 2007; Khurana and Nohria 2008). Yet one must wonder how this foundation might succeed where it has for so long failed.

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# Chapter 3

## Contemporary Foundations for Business Ethics Education

**Abstract** Business ethics education was founded on conflicting assumptions regarding the role of business in society. On one hand, business was presumed to play a positive role morally and socially in generating societal wealth and distributing that wealth broadly, with particular reward to individuals according to the merit of their own good work in a situation of fair opportunity. On the other hand, business was seen to have a negative effect morally and socially by encouraging narrow self-interest and allowing wealthy industrialists too large a role in bending government to their will and benefit. These conflicting philosophical and social foundations of business ethics education paralleled conflicting traditions and assumptions in Western moral philosophy regarding the moral value of self-interested economic activity, whether it tended toward ultimate social benefit or contradicted the traditions of socially beneficial virtues and individual impartiality in doing the right and good in accord with duty. In this chapter, I propose a reorientation of business ethics education to align with self-interest rightly understood in a competitive free market economy. This proposal rests on historical and philosophical evidence that the moral obligations of business are grounded in self-interest with a social purpose.

**Keywords** Educational foundations • Moral education • Character education • Values clarification • Cognitive-developmental approach

### 3.1 Introduction

Education needs solid foundations to be effective, building on crucial social facts with well-founded assumptions. The effectiveness of drivers' education depends on the social fact that automobiles are an extremely useful form of transportation and that adults must learn to drive them: both knowledge and practice that are essential for safe driving. Similarly, we can ask regarding business ethics education what ethical performance will in fact be expected of graduating students and how the curriculum will strengthen this performance.

Business ethics education was founded on conflicting assumptions regarding the role of business in society. On one hand, business was presumed to play a positive role morally and socially in generating societal wealth and distributing that wealth

to individuals according to the merit of their own good work in a situation of fair opportunity. On the other hand, business was seen to have a negative effect morally and socially by encouraging narrow self-interest and allowing wealthy industrialists too large a role in bending government to their will and benefit. These conflicting philosophical and social foundations of business ethics education paralleled conflicting traditions and assumptions in Western moral philosophy regarding the moral value of self-interested economic activity, whether it tended toward ultimate social benefit or worked against the traditions of socially beneficial virtues and individual impartiality in doing the right and good in accord with duty.

The historical development of university business schools always aligned closely with the interests of the business community. Attempts to define and promote business ethics as a social reform from outside this alignment merely made ethics education less relevant in the business curriculum. What is needed is a reorientation of business ethics education to align with self-interest in a competitive market economy: self-interest rightly understood as first observed by Alexis de Tocqueville in his travels through early 19th century United States (Tocqueville 1840/1990). This proposal rests on historical and philosophical evidence that the moral obligations of business are grounded in self-interest with a social purpose.

This proposal also rests on an important social fact that is too often overlooked in discussions of ethics and market economies: the market is socially constructed and politically constrained. The so-called “free market” in Western capitalist economies is continually being shifted and shaped by regulations, incentives, monetary policy, tax policy, infrastructure investments, and many other social projects. To call these “interventions” would be a misnomer, reflecting a false assumption that national market economies could function smoothly without government action. The social and political nature of the marketplace points to the need for a business ethics grounded in these facts. Individual virtue or courageous personal integrity must operate within our collective level of satisfaction that the marketplace as we have structured it is fulfilling its social purposes. Advancing business ethics as a matter of justice depends upon personal integrity but also a context of social approval.

### **3.2 Education in the Ethics of Business**

A great deal of research has been done on business ethics education regarding its academic content and its growth or decline in the business core curriculum, with increasing urgency following the Enron scandal in 2002 and the banking crisis in 2008. This research does not address the question of foundations or give these questions their due weight. However, degree requirements in business ethics and the frequency of offerings do invite assessment of how important ethics is in the understanding of business that is being taught and how effective ethics courses are in shaping students’ values and behavior for a career in management. This research is a starting point for asking upon what foundational facts and concepts the teaching of business ethics depends today.

### 3.2.1 *Required Coursework*

To begin with facts, ethics *is* being taught. As Daniel Baer has observed, the commitment to teaching ethics is “proclaimed at alumni dinners, advertised to prospective students...And business school deans and university presidents claim...that ethics matters, that it is integral to their business schools, that it is foundational to their missions” (Baer 2009, p. A27). Recent research on ethics coursework in business schools shows that the amount of such coursework is increasing.

Expressing the same urgency regarding teaching business ethics that has marked this field from the beginning, Solberg et al. (1995) reported that more needed to be done:

Results of the survey [of AACSB deans] indicate that only 32 percent of responding schools teach a separate course in business ethics and only slightly more than half of that number make the course a requirement for graduation. Thus, approximately 16 percent of AACSB schools sampled require a course in business ethics as part of business education. (1995, p. 73)

Nearly 10 years later, in their survey of deans and other leaders of AACSB schools in 2003, Evans and Marcal (2005) reported from nearly 300 respondents that 25 % of MBA programs and 34 % of undergraduate programs required an ethics course (2005, p. 240). A few years later, Evans et al. (2006, p. 284) found that 62 out of 123 selective MBA programs required a course in business ethics. Christensen et al. (2007) collected responses from 44 global MBA programs, showing that while only 25 % required a stand-alone ethics course, 84.1 % of the responding schools require coursework on topics such as corporate social responsibility and sustainability. The Aspen Institute (2012) also reported a positive trend in the frequency of ethics requirements in its on-going survey of 100 top business schools. Defining “relevant coursework” as “courses offered that contain social, environmental, or ethical content” (2012, p. 3), the Institute summarized its findings:

The percentage of schools surveyed that require students to take a course dedicated to business and society issues has increased dramatically over time: 34 % in 2001; 45 % in 2003; 54 % in 2005; 63 % in 2007; 69 % in 2009; 79 % in 2011. (2012, p. 2)

### 3.2.2 *Teaching the Ethics of Business*

In light of these numbers, it may seem surprising that Rutherford et al. (2012) concluded that “One of the most astonishing aspects surrounding the wave of corporate scandals in recent years is the fact that they have resulted in so little change in our institutions of higher education” (2012, p. 175). However, these researchers were focusing on undergraduate business programs rather than the MBA, where they found that “only about 25 % of AACSB-accredited schools in the United States require a stand-alone business ethics course” (2012, p. 183). They pointedly asked,

If there is a crisis of ethical behavior in business and business schools are the training ground for future business leaders, why are so few schools requiring their students to take business ethics coursework? (2012, p. 175)

They found that the primary drivers of business ethics requirements were the values of the school and of the leadership, often in response to external pressures. For example, religious schools seemed obliged to emphasize their concern for moral character because it was part of their declared mission (2012, p. 183), while schools with wealth and prestige seemed to “feel less need to respond to external pressures (i.e., demands from the media that business schools provide better ethical training to future managers)” (2012, p. 183). These findings help explain the apparent contradiction that business school deans in 2003 believed their schools should offer more ethics coursework but at the same time did not believe that ethical business leaders are more effective (Evans and Marcal 2005, p. 244).

Toubiana (2014) found a similar contradiction in her research. On one hand, she noted that “Business School Deans have recognized that the financial crisis mounted pressure on business schools to make substantial changes to their program delivery” (2014, p. 82). On the other hand, she observed that high levels of sensitivity to concerns of justice among business faculty co-existed with an educational environment in which those concerns are marginalized or constrained by long-standing, deep-seated convictions in business education that business exists to make a profit, that the most valued research is quantitative, and that quantitative research need not and perhaps should not include reference to matters of ethics (2014, p. 92).

Perhaps Evans et al. (2006) put the finest edge on these contradictions: Despite the fact that “corporate ethics officers and other ethics-responsible corporate executives openly worry about the ethical standards” of new employees, they do not act on this worry.

But do the corporate sponsors of business school research, the executives after whom buildings and schools are named, the wealthy business alumni donors to schools, and other actors in the business world pressure the schools they work with to address matters of ethics in meaningful ways? Have those individuals and corporate decision makers made efforts to inform themselves of the state of business ethics education? And is concern for ethics being made part of the day-to-day engagement companies have with business schools through the process of recruiting graduates? Do recruiters give school placement offices the slightest hint that corporations actually care about the ethics education of newly hired employees? (Evans et al. 2006, p. 289)

The lack of pressure on business schools to make ethics education more effective could reflect a belief that education cannot change personal values and moral attitudes. To the contrary, however, exactly such value and attitude changes occur in response to other aspect of the business curriculum: “Those [MBA students] who said they believed that maximizing shareholder value was the prime responsibility of the corporation increased from 68% upon entry into the program to 82% by the end of the first year” (Gioia 2003, p. 256).

Indeed, educators continue to insist that ethics education is relevant, since managers’ “values, beliefs, and prior experiences heavily influence their decisions... [and] there is compelling evidence that having employees engage in ethical behavior

is beneficial to businesses” (Rutherford et al. 2012, pp. 177, 183). Yet despite such declarations of concern, increasing coursework, and the belief that good ethics improves performance, business ethics education is not central to the business education enterprise. Or, to put the matter more precisely, there is an overriding ethic that matters much more: the duty to shareholders to maximize value.

The dominant principle first-year students are actually learning is not informed ethical action; it is “property rights” (operationally defined as the dominant rights of shareholders and the duty of executives to act in the service of those rights)...The implication is that while we broad-view management professors are trying to teach ethical action in that meager ethics module most MBA programs now allot, our colleagues down the hall who are teaching finance, industrial economics, foundations of capitalism, and even accounting, are giving overt precedence to shareholder property rights, with only a brief tip of the hat in acknowledging the desire for ethical action within the property rights framework. (Gioia 2003, p. 257)

Indeed, as a colleague of Gioia’s declared, to do otherwise would be unethical because the manager would be dishonestly posing as the agent of owners’ interests while substituting his or her own set of ethical principles instead (Gioia 2003, p. 258). Tying executive compensation to stock prices through stock options has reinforced this ethical obligation with a powerful financial incentive to align manager-owner interests, although it is also driving more complex notions of business value or stakeholder value into the margins and courting the moral hazard of executive windfalls on short-term increases in stock price (Beinhocker 2006, p. 406; Shiller 2012, p. 23).

### 3.2.3 *The Disconnect in Business Ethics Education*<sup>1</sup>

This inquiry into moral education arose not from a general pessimism about the quality of our schools nor from a chronic lament about the sorry state of the world, but rather from a specific recognition of educational failure: the teaching of ethics in business schools. The lack of attention to the effectiveness of ethics education reflects its marginalization. Overall, “evidence is mixed as to the effectiveness of the business ethics courses” (Rutherford et al. 2012, p. 184), but this is not surprising given the persistent difficulty in demonstrating causal relations in educational research (Labaree 1998). Similarly, despite the popularity of integrating ethics across the curriculum and the good reasons for doing it (Fotaki and Prasad 2014), “what little research exists on the effectiveness of ethics integration demonstrates the difficulty of attaining integration across disciplines and courses” (Evans et al. 2006, p. 289). Where integration does occur, it may be subordinate to more important business concerns.

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<sup>1</sup>This section is excerpted and adapted from this author’s “The Pragmatic Pursuit of the Good,” previously published in *Democracy & Education: Collected Perspectives*, Viktoria Byczkiewicz (Ed.), pp. 35–82. Los Angeles, CA: Trébol Press, 2014. Used with permission of the publisher.

Reflecting on the financial meltdown in 2008, Kelley Holland (2009) noted that all of the major figures contributing to the crisis held M.B.A. degrees. She quoted Ángel Cabrera, a management school dean:

It is so obvious that something big has failed. We can look the other way, but come on. The C.E.O.s of those companies, those are people we used to brag about. We cannot say, “Well, it wasn’t our fault” when there is such a systemic, widespread failure of leadership. (2009, para. 5)

The instructors Holland interviewed offered two explanations for business schools’ contributions to this failure: the schools are successfully teaching students that their primary responsibility is to maximize shareholder value, and at the same time they are not succeeding in teaching ethics.

As Baer (2009) noted, business schools have not invested in ethics instructors and research as they have in other areas of the curriculum: “Most top business schools have done little to build a core presence of tenure-track faculty members in ethics” (2009, p. A27). John Quelch (2005), writing before the financial crisis, saw the same lack of priority for ethics and same commitment to the high priority on financial success:

Most business schools pay lip service to teaching ethics, but few professors can or want to follow up. As a result, research in this area still falls short relative to its importance. It may well be, as Milton Friedman contends, that “the business of business is business,” but the slavish dedication of many business-school academics to studying how to increase short-term shareholder value, and reward managers in such a way that encourages them to do so, borders on myopia. Increasingly, business leaders recognize that solving social problems is critical to long-term business success....(p. B19)

Mr. Khurana and Mr. Gintis put it more starkly, that the theory of shareholder primacy taught in business schools “creates an atmosphere that legitimizes a culture of greed in which managers are encouraged to care about nothing but personal gain, and in which such human character virtues as honesty and decency are deployed only contingently in the interests of personal material reward” (quoted in Mangan 2006, p. A15). To say that personal greed is legitimized is not to claim it is taught directly; it is fostered in more subtle and indirect ways.

The documentary [*A Dangerous Business*, PBS Frontline, 2003] was effective because it demonstrated clearly that when companies or individuals act unethically, people can be harmed. Why don’t students generally see this connection? In part, because few examples of unethical behavior are as extreme as those in the McWane case...But another reason is that this is how students are taught to think in business school. Across most curricula, students learn to consider the financial implications of unethical acts, such as the risk of fines, penalties, lawsuits, and damaged reputations. Their professors show how these actions negatively affect organizational outcomes, such as profitability. But little time is spent teaching students that unethical behavior can actually harm employees in tangible, non-monetary ways. (Promislo and Giacalone 2013, p. 22)

By recasting ethical issues as monetary issues, students learn that the real world standard for business operations is financial success. Ethical issues are real but subordinate. This subordination of ethics to finances can also make it more difficult for employees to speak up when ethical concerns might conflict with business,

compounding the social pressures employees feel to minimize negative information when reporting to superiors or, indeed, to avoid being labeled a troublemaker by questioning organizational priorities (Milliken et al. 2003).

Thus, the lack of educational impact in business ethics can be seen as two sides of one coin: students correctly grasp the centrality of corporate and personal success on one side and the subordinate role of ethics on the other. This lack of impact is compounded, however, by the kind of ethics taught and the way it is taught. The typical curriculum is well summarized by Julian Friedland, who described his successful students as learning to apply “canonical ethical theory to contemporary business dilemmas, wrestling with their values and reconsidering the proper role of business in society” (Friedland 2009, p. A26). In a context with strong social reinforcement, such exercises in values clarification and canonical ethical theory—most prominently, the moral theories of Kant and Mill—could be expected to change behavior. But given the clear priority on business success, wrestling with ethical dilemmas can become solving a complicated puzzle that is related to business but not relevant to business decisions and outcomes. Educational priorities echo social priorities, and the actual role of business in society carries more weight than academic exercises in ethical analysis.

Two central questions emerge from this review: How important is the study of business ethics in light of the overall or principal aims of business schools, and—indeed—how important is ethics, as it is currently being taught, to business? The research cited above indicates that the foundations of business ethics education today are the same as 100 years ago: the perception that business behavior is a public problem and the conviction that individual moral character is the remedy, although now with less attention to managerial professionalism. In responding to concerns about business behavior, business schools are adding ethics or ethics-related courses to the curriculum, but these efforts may do more to maintain their reputation as leading schools, satisfy important constituents, or highlight their identity as schools committed to moral standards or religious values (Evans et al. 2006, p. 287) than to change the dominant teachings in business education or improve business behavior. The educational problem therefore appears to be located at the intersection between the very real world of business and the theoretical and individualized constructs of ethics. It is not a simple problem to address: a real-world ethical theory is needed, articulated as a theory of applied morals and carried forward as education through increasing use in the real world.

For someone familiar with the writings of John Dewey, the problem and directions for addressing these questions echo his long campaign to redeem ethics from its isolation in the individual conscience and from its marginalization in fixed ideals, in order to incorporate it into human activity as a practical social science for the betterment of society: a pragmatic pursuit of the good.

The belief that all genuine education comes about through experience does not mean that all experiences are genuinely or equally educative. Experience and education cannot be directly equated to each other. For some experiences are mis-educative. Any experience is mis-educative that has the effect of arresting or distorting the growth of further experience. An experience may be such as engenders callousness; it may produce lack of sensitivity and



of responsiveness. Then the possibilities of having richer experience in the future are restricted. (Dewey 1938/1963, pp. 25–26)

Continuing in the current path thus exposes business students to two hazards: their education in business teaches an unsustainable ethic as a definition of success, which their education in ethics does not address.

### **3.3 Current Business Ethics Education—Values, Virtues, and Cognitive Development—vs. the Pursuit of Self-Interest**

In this section, I investigate the relevance and importance of the social and philosophical foundations of business ethics education. Two sets of educational foundations are examined: *first*, the foundations for the explicitly declared aims and methods of ethics coursework in strengthening moral character in order to avoid unethical business behavior and improve business performance; and *second*, the foundations for the implicitly dominant ethic in business schools, the duty of self-interest and maximizing shareholder value as taught in management courses and reinforced in the disciplines of finance, marketing, accounting, human resources, and economics.

#### **3.3.1 Moral Education: Foundations and Methods<sup>2</sup>**

AACSB International (2004) cited consequentialism, deontology, and virtue as three “decision-making frameworks” (p. 12) taught in business schools. This presentation is typical but confusing. What the terminology suggests is that when faced with a difficult decision, one might determine a morally good or just route by weighing the consequences, by identifying and analyzing one’s duties, or by considering the choices and effects in terms of moral character. Quite clearly, all three considerations are relevant and important; they are also overlapping and interdependent. Depending on the situation, one of the three may be more telling than the other two, but this observation suggests that the decision-making framework in use is none of the three. Rather, some kind of situational analysis is in play that depends less on ethical theory than on recognition of social cues, customary patterns of behavior, and personal or professional commitments and role-taking.

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<sup>2</sup>This section is adapted, with significant revisions, from this author’s essay, “Social Responsibility as a Matter of Justice: A Proposal to Expand Business Ethics Education,” in M. C. Coutinho de Arruda and R. Rok (Eds.), *Understanding Ethics and Responsibilities in a Globalizing World*, pp. 229–246 (Switzerland: Springer International Publishing, 2016).

For persons familiar with collegiate philosophy courses, it is obvious that the categories cited in the AACSB report mirror the customary curriculum in introductory ethics. Consequentialism and deontology are rational ethical theories associated with John Stuart Mill's *Utilitarianism* (1861/1979) and Immanuel Kant's *Groundwork of the Metaphysics of Morals* (1785/1956), respectively; virtue ethics is often represented by Aristotle's *Nicomachean Ethics* (trans. 1962). All three are standard texts in introductory ethics courses. The first two are philosophical attempts to capture the fundamental moral obligations of the Golden Rule in a strictly rationalist theory with a single central principle. Both offer this principle as a guide for moral decision-making and for just social policy. Similarly, Aristotle was attempting to describe fundamental moral obligations but with an eye toward if and how morals could be taught. These are not distinct and separable decision-making frameworks, since all three authors required the consideration of consequences and duties in moral decision-making, and all three stressed the importance of moral values and virtues.

Contrary to the AACSB report, however, these ethical theories, however stripped down or applied, are not the methods of moral education employed in business ethics textbooks. The methods of instruction employed are easily recognized by moral educators: character (or virtue) education, the cognitive developmental approach, and values clarification.

*Character education* addresses the concern for moral continuity, the perennial task of ensuring that new generations inherit the morals of past generations. It was first articulated in Western society by Plato and Aristotle, who sought to cultivate virtues such as wisdom, justice, beauty, magnanimity, and courage—all of which were essential to earn honor and without which manhood was disgraced and life was not worth living. It was clear that children were not born with these virtues; they had to be learned by doing, with the aim to form virtuous character as a habit through virtuous action (*Nicomachean Ethics*, Bk. VI. 1103a). Yet virtue could not be taught in the same way that one could teach conceptual or scientific knowledge (*episteme*). Virtues were a matter of practical wisdom (*phronesis*) that could only be learned by observation of exemplars and performance under the burden of responsibility. The educator's role is thus to provide direction, practice, role models, and support in cultivating traditional virtues, to the point that these become habitual—in the context of a virtuous community that can reward good behavior and sanction moral failure (Lickona 1991; Ryan 1996). When faced with a demand for responsible action, youth were expected act as their moral superiors might act and then submit to—and be guided by—the praise or recrimination of these authorities.

Character education has been a major purpose of schooling throughout history and was an explicit aim of compulsory schooling in the U.S. (Gutek 1972). The social foundations of character education remain strong as long as moral authorities and the community at large agree which characteristics are virtuous and which virtues are most important. Honor was most highly esteemed in ancient Greece, harmony in ancient China, and mercy in early Christianity. Virtues change as societies change, and one of the fascinating stories of Western society is the transition from the aristocratic morals of ancient Greece and Rome to the Christian morality of faith, hope, love, humility, self-sacrifice, and forgiveness—and then, in the

Reformation and Modern Era, a Christian morality of thrift allied with a secular morality of individual, scientific, and social progress. In their own time, each of these virtue sets constituted a new basis for honor, altering but not totally supplanting the older virtues and values. The advent of the Modern Age brought new social facts into play that challenged the established moral authorities of Christian Europe, as explorers encountered previously unknown peoples with different bases for honor and mercy. As religious authorities lost their exclusive position as arbiters for morals, the fundamental assumptions and convictions of the tradition were translated into rational principles: hence, the works of Kant and Mill, among many others. Reason and personal integrity were expected to stand on their own without depending on loyalty to communal norms.

At the same time, educators began to stress individual identity as a developmental project, tracing the progress of children from dependence and social conformity to independence and self-determination. Thinkers such as Michel de Montaigne, Francis Bacon, John Milton, and John Locke sought to adapt education to the child as the most effective way to adapt the child to society and goodness. None were as influential, however, as Jean Jacques Rousseau whose *Emile* (1762/1956) systematically walked its readers through infancy, childhood, youth, and manhood to show how the developmental processes inherent in human nature unfolded for the good, if only anxious educators did not get in the way. Rousseau insisted that it was “an incontestable principle that the first impulses of nature are always right” (p. 40). Rather than teaching morals explicitly, teachers and parents should model good morals: before “the making of a man you must be a man yourself” (p. 42), so that the child learns by natural powers of observation and growth how to grow into a moral youth. Rousseau laid the foundations for the child-centered curriculum with his admonition to educators to first “observe your pupil carefully before saying a word to him” (p. 42).

Thus the stage was set for a new method of moral education, less dependent on inherited values and established authority and instead grounded in the new sciences of psychology and sociology. Through the early decades of the twentieth century, sociologists and psychologists of education worked out developmental theories of learning, gradually articulating the stages of development from childhood and family to adulthood and social membership (Durkheim 1925/1973; Piaget 1932/1965; Vygotsky 1934/1986; Dewey 1938/1963; Erickson 1959). These seminal thinkers set the stage for Lawrence Kohlberg’s *cognitive-developmental approach* (1969), which adapted and interpreted previous staged-based theories of child development in light of Kant’s theory of moral duty as rational imperative, captured in the rational moral law of the categorical imperative. Writing at the height of the Civil Rights Movement, Kohlberg wanted to explain and foster the ability of individuals to rise above the accepted morals of their communities and aspire to higher principles of justice (Kohlberg 1980, p. 74). He pointed to leaders such as Gandhi and Martin Luther King, Jr. as examples of the highest moral development: persons committed to impersonal principles of justice and willing to confront existing social arrangements and loyalties steadfastly, even to the point of death. Kohlberg’s method of instruction closely followed his theory’s dual foundations in social psychology and

philosophy: As a matter of natural growth, the child could be expected to develop through stages of awareness and judgment from pre-conventional to conventional to post-conventional, with moral judgment progressing through each stage toward the highpoint in moral philosophy. The role of the moral educator was to stimulate a child's natural autonomy and reasoning power through the use of carefully crafted age-appropriate moral dilemmas to foster natural development from social conformity toward moral independence and the highest principles of justice, i.e., decision-making "centering on principles of justice" (Kohlberg 1980, p. 71). James Rest, who continued Kohlberg's work, described each new stage of moral development as an elaboration of the previous one in a progressive ability to organize cooperation (Rest 1994, p. 5).

*Values clarification* emerged about the same time as the cognitive-developmental approach, building on the social fact of moral pluralism in the modern world and a clear conception of individual integrity: remaining true to one's own values while respecting the values of others. Instruction facilitated the development and strengthening of each individual's moral identity and autonomy, as youth gradually became aware of moral disagreement in basic social dimensions such as gender roles, sexual orientation, war and peace, and religion. Values clarification was designed to help students sort through conflicting moral imperatives in a culturally diverse world (Fletcher 1966), to ensure that adolescents could explore moral alternatives without recrimination under the ideals of integrity and tolerance. In contrast to the formative aims of character education, values clarification focuses on the emergence of critical thinking at adolescence when youth are inclined to question received beliefs. The educator's role is to help learners see and raise questions of value, seek values that resonate with their understanding of themselves and the world, and move through questioning to settled moral commitments. Because of its openness to questioning, this approach is sometimes confused with moral relativism, "that there is no such thing as universal truth in ethics" (Rachels 1993, p. 17). Although the method was misconstrued as permissive and criticized as moral relativism, it in fact fostered a critical rational approach by examining different moral stands as well as one's own inherited standards and authorities, all in the context of open dialogue governed by rules of civil discourse. As such, it was grounded in the social psychology of individual development and identity formation and committed to the fundamental virtues of integrity and tolerance, and thus oriented toward the demands of democratic participation in a pluralistic society governed by norms of public reason. This approach to moral education stands behind the work of Comer and Vega (2011) on moral intensity, in recognizing and holding firmly to one's own core values even as one respects the fact that others may disagree.

As these three distinct approaches moved into the educational mainstream, moral educators and textbooks borrowed variously from all three and the clarity in their foundations was lost. For example, character education re-emerged in the 1980s with elements borrowed from values clarification, presenting a set of universal virtues that varied only in cultural expression (Lickona 1991). This adaptation weakened character education by blurring its social foundation in the moral esteem of the

community, and it compromised values clarification by positing a predetermined set of acceptable virtues with diminished tolerance for diversity.

### ***3.3.2 Social Foundations for Moral Education in Business Schools***

As I have shown in detail elsewhere (Schweigert 2016), this lack of attention to educational foundations has compromised the effectiveness of business ethics education, resulting in an educational enterprise that lacks conceptual clarity and is disconnected from crucial social facts in the business environment: the moral pressures and ordinary demands of ambition, uncertainty, liability, and loyalty. By this I do not mean that textbooks do not address business issues—they certainly do, and with great insight and relevance. Nor do I mean that good teaching methodologies are not in use or being proposed (Promislo and Giacalone 2013; Sternberg 2009; Zielinski 2010). My concern is that business ethics education has been taught alongside the primary assumptions and moral drivers of business behavior as though the two sets of values and virtues are aligned and in harmony. This is a false sense of compatibility, a sort of marriage of convenience. As a result, moral educators and the general public express moral indignation about aberrant behavior after the fact, when the violators labored under the same ambitions and ideals that are taught in the business schools and are honored with monetary rewards in the workplace and boardroom.

Character-building for social responsibility in business cannot be effective unless or until the changes sought in moral character are constitutive of effective business management. If business schools teach and if students and managers believe that self-interest and shareholder value are their primary duties to themselves, their organizations, and their society, then these beliefs constitute moral foundations for a particular understanding of social responsibility. To make the case that “responsible management” exposes self-interest as “built on a series of half-truths” (Mintzberg et al. 2002), educators must revisit the foundational moral duties invoked in making business decisions in a competitive business environment.

The reality would be different if business management were a profession like law or medicine in which services to individual clients are necessarily conditioned by a clear set of public commitments to the common good, with professional mechanisms of self-regulation in accord with publicly declared standards, and with socialization into these commitments and standards as constitutive to professional identity (Bayles 1981, esp. pp. 21–24; Khurana 2007, esp. pp. 372–383; Buchholz 2009, esp. pp. 2–3). In that case, professional membership and practice would be crucial social facts locating public standards in the heart of business operations and leadership. Such were the social benefits of managerial professionalism articulated 100 years ago (Brandeis 1912) still relevant today.

Business places individuals in positions of authority and power who are not constrained by established norms of professional conduct. The result is frequent instances of aberrant

behavior, decline in public trust, and increased government regulation. One way to reverse this trend is to professionalize business management and develop a code of conduct that will effectively regulate the behavior of business professionals and restore public trust. Comprehensive ethics education in university business programs is the first step in establishing these norms of professional conduct. The stakes are high because the only alternative to self-regulation is increasing government regulation. (Evans and Marcal 2005, p. 247)

But ethics education cannot succeed in teaching a professionalism that is not demanded for business performance in the field. It remains to be seen if the MBA oath movement (MBA Oath n.d.) will become an industry standard for schools and businesses.

In contrast to ethics education, the social and philosophical foundations of the duties of shareholder value and individual self-interest appear solid. Perhaps the most important social fact is that efficiency and the values associated with it in scientific management are pursued daily in business decision-making and operations. The values of self-interest and business profits are reinforced every time they are rewarded by bonuses or promotions—indeed, every time that matters of social responsibility are treated as externalities “off the books”, parsed by legal counsel for minimal compliance, or relegated to public relations. Without question there are moral conditions for economic efficiency (Schultz 2001), but if there is little demand that these conditions be met consistently in the business environment, they have reduced bearing on the social facts of business.

### 3.3.3 *Philosophical Foundations for Moral Education in Business Schools*

There are also three powerful and interrelated philosophical foundations for the duties to self-interest and shareholder value: the profit-making purpose of business, property rights and the principal-agent relationship, and distributive justice through free enterprise. Each of these is well-known publicly and promoted in business education, and taken together they form a coherent framework for free market economics and managerial decision-making. Despite widespread debate on their validity, their collective influence in business and business education appears undiminished (Brown 2010; Fustfeld 2002; Shiller 2012; Toubiana 2014). Each of these three philosophical foundations deserves further examination and evaluation.

*The profit-making purpose of business* was perhaps most clearly stated in Friedman’s (1962) description of a free economy.

In such an economy, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which to say, engages in open and free competition without deception or fraud. (Friedman 1962, p. 133)

Friedman’s fundamental concern was the integrity of the free market, which could create equal opportunity only if social preferences were subordinated to efficiency

and efficiency was directed only to making a profit. The centrality of efficiency is consistent with Coase's (1937) understanding that coordination to increase efficiency explained the existence of the business firm (1937, p. 5). The pursuit of *pure* efficiency in a competitive market can overcome the *contamination* of societal discrimination only because "a businessman or entrepreneur who expresses preferences in his business activities that are not related to productive efficiency is at a disadvantage" (Friedman 1962, p. 109). Friedman was highly skeptical that personal values could be substituted for this clear business purpose:

Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is? (Friedman 1962, p. 133)

Substituting personal moral preferences for efficiency could open space for bias on race, gender, nationality, particular social welfare priorities, or other political priorities. The moral obligation of the manager was to play by the rules of the game, and nothing more.

The role of government in this view is to establish rules for fair exchange, to provide for certain collective goods such as national defense, and to allocate costs such as air pollution that are difficult to attribute to individual actors. Centralized economic planning is unnecessary and ultimately a failure, since the economy is too complex to be managed. Only the price mechanism, which "records all the relevant effects of individual actions" (Hayek 1944/2007, p. 95), is capable of coordinating such complexity through myriad decisions highly dispersed throughout the marketplace. Both Hayek and Friedman argued for "making the best possible use of the forces of competition as a means of coordinating human effort" (Hayek 1944/2007, p. 85). By concentrating on profits, the free market dispersed power to every individual to express preferences through market choices every day (Friedman 1962, p. 3). This independence of market participation promoted a free society, in two ways:

On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward achievement of political freedom. (Friedman 1962, p. 8)

An obvious advantage of this understanding of business purpose with its singular focus on profit-making through efficiency is that it provides a single governing metric for cost-benefit decision-making, business success, and managerial competence.

*The institution of private property* is a second philosophical foundation for the duty of self-interest and shareholder value. Definitions, rights, and obligations of private property vary (Lebacqz 1986), but the understanding that predominates in American business seems closest to Nozick's emphasis on lawful acquisition and transfer (Lebacqz 1986, pp. 55–57). As applied to shareholder value, this means that

legally purchased equities of any kind are honored as the private property of the purchaser.

In publicly owned corporations, therefore, shareholders are understood to be owners; what this means requires closer examination. In a series of papers published after World War II, the relationship between shareholders and managers was defined as the relation of principals to agents (Khurana 2007, pp. 315–316). According to principal-agent theory, the shareholders are owners of the corporation with a private property interest in maximizing a return on their investment, and managers are agents with a fiduciary duty to serve the interests of these owners. This understanding appears consistent with corporate law, which defines shareholders as owners, and it offers a way to align the interests of managers with those of the owners through compensation incentives based on share value.

The clarity of this view depends on simplifying shareholder interest as maximum return on investment and simplifying managerial responsibility as delivering maximum shareholder value—both of which have been challenged as over-simplifications (Stout 2012). More fundamentally, it is clear that shareholders are not owners of the corporation in the same sense that sole proprietors or partners are owners, since shareholders do not control the corporation, do not own a discreet property within the business, and can easily buy into and exit the shareholding relationship (Boatright 1994). It might more accurately be said that shareholders are investors who own shares (Boatright 1994, p. 396). Rather than stock ownership being justified by property rights, Boatman argued that it is justified instead as a matter of public policy, that is, “that institutions in which management is accountable primarily to shareholders provides the most socially beneficial system of economic organization” (1994, p. 401).

*Achievement of a wide distribution of wealth* is a third philosophical foundation for business purpose as maximizing self-interest and profits. Both Hayek (1944/2007) and Friedman (1962) argued at length that economic life is too complex in the values or ends pursued, constantly changing information, and unanticipated effects to be managed by central authorities. Only the widely dispersed operation of a free market can coordinate all these complexities in a way that respects individual freedom and offers opportunity to the widest range of actors. They pointed to the free market economies of Western Europe as evidence for generally improving material conditions and economic mobility—an argument made in much greater detail by Stark (2005) in tracing the progress of capitalism from medieval monasteries to Italian city-states to the Low Countries and England. Sen (1999) gave qualified affirmation to this view, that “in general, there is plenty of empirical evidence that the market system can be an engine of fast economic growth and expansion of living standards,” although government regulation may be necessary where the market is counterproductive (Sen 1999, p. 26). Such regulation is permissible as long as its role is advancing free competition and not control and coordination (Friedman 1962, esp. Ch. 2; Hayek 1944/2007, esp. Ch. 12).

Again, this distributive welfare argument depends upon simplification, setting aside serious questions of equal opportunity and social equity and concentrating on profit as a singular measure of success—with a vague confidence that justice will



follow eventually. Not surprisingly, given the wide and persistent disparities in social welfare during the 1000 year history of capitalism, this confidence in the anonymous working of self-interest and withdrawal of moral concern for just distribution has been repeatedly challenged (e.g., Dewey 1922/2008; MacPherson 1962; Polanyi 1944/2001; Tawney 1920, 1926, 1929; and recently, Brown 2010; Frank 2014; Greenhouse 2013; Jones and Felps 2013a, b; Mattick 2011; Piketty 2013/2014; Stiglitz 2012; Ulrich 2008).

### 3.4 Conclusion: Clarity in Teaching Self-Interest vs. Confusion in Teaching Morals

In summary, the preceding examination of social and philosophical foundations for business ethics education reveals critical gaps and contradictions. The foundations for moral education have become confused and, in business ethics education, disconnected from the moral hazards, practical demands, and ideals of the business environment. In contrast, education in the duties of managerial self-interest and owner/shareholder value maximization is strongly supported by the social facts of business and personal success and a strongly defended three-part theoretical foundation. In the next section, the social fact of American commitment to free markets will be examined as an opening to stronger foundations for business ethics education.

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## Chapter 4

# Social and Historical Foundations for Business Ethics

**Abstract** This chapter is an investigation of the moral norms, sensitivities, and accountabilities that are endogenous in market activity and constitutive of human communities as systems of reciprocal exchange. First, I examine how markets have historically served the common welfare and how these responsibilities have been understood, beginning with the morality endogenous in archaic and ancient markets as systems of total service. I then trace the disjunction of markets and morals in Western Europe under the influence of Christianity, culminating in an explication of the natural and sacred right of private property as a foundation for the modern competitive marketplace. I conclude by reviewing the history of these ideas as they shaped the conceptions of government and markets in the founding of the United States. The ideals of private property were incorporated into public policy with a vision of individual prosperity and ambition that also served the common good and provided for the welfare of all. This assumption has fallen short of reality, so that it is necessary to restore the original unity of private and public good. This will require recommitment to the innate sensitivities and relations of reciprocity that can provide a social foundation for business ethics in a system of exchange with potential for achieving a just economy. Important features of this commitment will be a shared understanding of substantive fairness in distribution of goods, the vision of the marketplace as a complex adaptive system aiming for ever greater fit with the natural environment, wealth as a collective resource that serves individuals and their communities, and the marketplace as a system of provision, protection, and meaning governed through public deliberation. I conclude that markets have always served and sustained the common welfare, and this ordinary and necessary public responsibility should be a regular part of management education and business ethics education.

**Keywords** Private property • Social welfare • Free market • American economy • Invisible hand • Social responsibility

## 4.1 Introduction: The Extension of Pro-social Norms Through Institutions of Belief and Exchange

Humanity has always and only existed in systems of exchange. In the very early stages of human evolution, humans lived in small kinship bands with strict social norms governing food gathering and sharing. Survival depended upon these norms, and they were strictly enforced. With the development of agriculture came wider circles of exchange, which were sustained by the extension of social norms of fairness and reciprocity to ever larger cooperative networks. Although it could be argued that enterprising persons simply applied their kinship norms to non-kin cooperators, there is strong evidence that institutions of exchange were developed as a way to extend norms of fairness and reciprocity beyond kin groups to any others who participated in these institutions and abided by the embedded norms.

A crucial ingredient in the rise of more-complex societies was the development of new social norms and informal institutions that are capable of domesticating our innate psychology for life in ever-expanding populations. Larger and more-complex societies prospered and spread to the degree that their norms and institutions effectively sustained successful interaction in ever-widening socioeconomic spheres, well beyond individuals' local networks of kin and long-term relationships. It is these particular norms and their gradual internalization as proximate motivations that recalibrate our innate psychology for life in small-scale societies in a manner that permits successful larger-scale cooperation and exchange in vast communities. (Henrich et al. 2010, para. 3)

Henrich and his team investigated markets and religion as the two most likely institutions for extending cooperative norms across large non-kin networks and societies. Both institutions curtail individually costly behaviors by punishment, signaling, beliefs, rituals, and reputational mechanisms to confer social status for pro-social behavior or denigrate social status for violators. In this way, “‘market norms’ may have evolved as part of an overall process of societal evolution to sustain mutually beneficial exchanges in contexts where established social relationships (for example, kin, reciprocity, and status) were insufficient” (Henrich et al. 2010, para. 5).

Not all kinds of religion facilitated the extension of pro-social norms, but those religions that did grew by incorporating ever wider circles of belief and exchange. Thus those religions that became world religions shared moral norms of generalized reciprocity, human respect, and fairness.

The evolution of societal complexity, especially as it has occurred over the last 10 millennia, involved the selective spread of those norms and institutions that best facilitated the successful exchange and interaction in socioeconomic spheres well beyond local networks of durable kin and reciprocity-based relationships. Although differences in environmental affordances probably had a profound impact on the emergence of complex societies across the globe, the rate-determining step in societal evolution may have involved the assembly of the norms and institutions that are capable of harnessing and extending our evolved social psychology to accommodate life in large, intensely cooperative communities. (Henrich et al. 2010, final para.)

In this chapter, I examine several institutions that have played key roles in extending pro-social norms across large societies. First to be examined are the great

exchange festivals among archaic societies, the *kula* and the potlatch, that combined religion and market exchange through cycles of festivals. Similar institutional arrangements of markets and religion marked ancient societies, such as the Roman Republic and Empire. With the collapse of the Roman Empire in the West, markets and the reach of power became more regional and, with the growth of Christianity, the market dynamics that had revolved around the great imperial cities now revolved around local regional centers and churches (Brown 2012). At the same time, Christian norms of association and conversion spread across Western Europe, accompanied by the notion of individual liberty. By the conclusion of the Middle Ages, individual liberty was being translated economically into a conception of private property, which became a foundational norm for during the Modern Age. During this same period, norms of fairness and reciprocity diverged from norms of social welfare and became increasingly identified in economic terms of individual exchange, competition, and accumulation of private wealth. This brings us to our task in the present moment, to restore the social welfare dimensions of fairness and reciprocity and thus reconnect private property with social justice.

## 4.2 Market Coordination in Archaic and Ancient Systems of Exchange

The remotest origins are lost to us, but the studies of Marcel Mauss (1950/1990) and others indicate that primitive and archaic societies arose as systems of exchange constituted in collective structures and obligations of giving, receiving, and reciprocity (Mauss 1950/1990, p. 39). Mauss organized his research around two great systems of exchange: the *kula* of Polynesia and Melanesia, which also appeared with some variations in Australia and Southeast Asia, and the *potlatch* of the Northwest American Indians, found also in Siberian societies to the west and among Eskimos and Plains Indians to the east. Evidence of similar systems were found in Aryan and pre-Aryan societies of south Asia, the Semitic cultures of the Near East, pre-classical Greek and Roman customs and law, ancient Norse legends, and throughout the Germanic peoples of central Europe. Mauss concluded that these exchange systems of total services existed in all human societies, shaping the vocabulary in languages and underlying formal systems of law that emerged in the classical cultures of India, China, Greece, and Rome. These universal systems of exchange provide important insights into the organization and purposes of human economies that are critically relevant to the foundations of a just economy today.

The *kula* and potlatch appeared most prominently as grand intertribal gatherings marked by feasting, gift-giving, and competitions that ranged from gambling to combat. However, these festivals were only the most visible features of systems of obligation and exchange that extended over hundreds of miles and sustained human communities over millennia on all continents. The grand displays of wealth at the great festivals provided an overarching structure encompassing and sustaining

essential social relations and hierarchies (Mauss 1950/1990, p. 7). *First*, the festivals reinforced the juridical structure of the society including public and private legal obligations. *Second*, moral obligations among individuals, families, clans, and tribes were displayed and reinforced. *Third*, the festivals reinforced and revised the political hierarchies of the society—which were not only on display but tested in the competitions of the festivals. *Fourth*, the festivals were economic engines of exchange and accumulation of goods radiating out to all members of the communities and extending across hundreds of miles through reciprocal systems of trade. *Fifth*, aesthetic developments were celebrated in dances, music, costuming, and works of fine art—often with great exchange value. *Sixth*, the festivals displayed and thus reconstituted the larger social structures of families, clans, bands, tribes, and nations. Nothing was left out.

Within the framework of the *kula*, the following levels or kinds of economic exchange occurred: (a) commonplace exchanges similar to modern notions of barter, matching value for value; (b) exchanges of services such as hospitality and entertainment; (c) intertribal exchanges providing access to foods, furs, precious stones, metals, and other valuables not available locally, with farming tribes exchanging harvests and sea-faring tribes offering fish, precious shells, or finely carved tusks; (d) the giving and receiving of presents between individuals, reinforcing or establishing relations at all levels of society—among chiefs, heads of clans, families, and between persons of higher and lower rank; (e) distributions of food reaching all levels of society; and (f) the juridical and economic exchanges surrounding marriage, from the bride-price to the everyday give and take in the household, including sexual exchanges between spouses (Mauss 1950/1990, pp. 27–30). In all these exchanges, the value of goods and services was inseparable from the values of honor, esteem, and trust. As Karl Polanyi (1944/2001) noted,

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships...

The explanation, in terms of survival, is simple.... The individual's economic interest is rarely paramount, for the community keeps all its members from starving unless it is itself borne down by catastrophe, in which case interests are again threatened collectively, not individually. The maintenance of social ties, on the other hand, is crucial. First, because by disregarding the accepted code of honor, or generosity, the individual cuts himself off from the community and becomes an outcast; second, because, in the long run, all social obligations are reciprocal, and their fulfillment serves also the individual's give-and-take interest best. (Polanyi 1944/2001, p. 48)

Because the reinforcement of social ties was central in all exchanges, simple barter exchanging tangible objects of equal value was rare. Persons sought instead to give more value than could be matched at the time—expecting and even calculating that the value provided would be reciprocated with interest. Precious objects often served as universal markers of value that could circulate without losing value, creating a primitive money economy to carry value through many exchanges that increased in value at each exchange before coming back to the original giver with the value-plus-interest that was expected (Mauss 1950/1990, pp. 101–102 [n.29]). Mauss called these “systems of total service,” structured in the form of gifts but



always with obligations—gifts that were compulsory because of the social weight of reciprocity linked to honor (1950/1990, pp. 3–5). All the items necessary to survive and thrive were made available, and at the same time extravagant wealth could be accumulated and displayed.

Individuals competed for primacy in production and exchanges, yet the entire system was governed by collective obligations, and wealth was continually being redistributed up and down all levels of the society. The exact mechanics of distribution varied from community to community as well as within particular communities over time. For example, nineteenth century hunting and sharing practices of the Lakota on the North American Great Plains shifted when a new hunting technology—the horse—appeared (Drury and Clavin 2013, p. 69). Prior to the introduction of the horse, tribes on the Great Plains harvested bison by driving them over a precipice; the whole tribe participated in the stampeding, killing, and butchering and all shared equally in the feasting and preservation of the meat. With the coming of the horse, individual hunters could ride next to a galloping bison and slay it singlehandedly. The hunter was highly honored for this courageous feat and allowed to take the first and finest cut of meat for his household; the remainder belonged to the tribe and was shared as needed. This adaptation provided a new realm for individual competition and honor, yet still linked to social obligations and the general welfare.

This interplay of individual honor and collective benefit also typified the exchange systems of imperial Rome (Brown 2012). From highest to lowest economic levels, the society was structured in relations of *clientele et patrocinium*, with favors and wealth flowing downward in exchange for honor, loyalty and service flowing upward. The reciprocity of goods reinforced social status and individual dignity in both directions. Those who could afford it established and maintained honor through *civitas* as well: the very wealthy were expected to display their love of their cities by funding great public buildings or extravagant public festivals while those of middling wealth funded more modest monuments. Archeological investigations show that these opportunities and obligations extended all the way down to those who could afford to leave their names as markers of honor only in a single engraved tile in a public walkway—so prized was the virtue of *civitas* and status it conferred. The virtue of *humanitas* provided another opportunity for honor through generosity to the destitute poor, those many people living at the margins of society. While distribution of *humanitas* displayed generosity, the annual distribution of grain and other foodstuffs to the citizens of Rome—the *annona civica*—affirmed the honor of Roman citizenship: it was considered a payment on a claim of social status rather than generosity, and its procurement and distribution were a major responsibility of the Prefect of Rome.

The entire system of exchange, from local sponsorship of education for promising young men to arrangements for advantageous marriages to appointments in government posts, flowed through personal connections of client and patron—or, as Romans saw it, through the reciprocity of friendship. “Friendship, for a Roman, meant maintaining constant contact with others through the exchange of favors... bound together by the ancient *religio amicitiae*—the binding protocols of friendship” (Brown 2012, pp. 100–101). *Manus manum lavat*—one hand washes another—was a social fact linking networks of exchange.

Thus the needs of the public, the poor, the wealthy, and all those in between were served by ambition and largesse throughout the ranks of society, all regulated by systems of honor and shame, friendship and reciprocity, and communal and civic loyalties. In the course of serving economic ends, the exchanges reproduced or revised the structures of leadership, established or altered allegiances, affirmed rights attached to membership and gender, resolved old conflicts or engendered new rivalries, and reinforced the loyalties of families, clans, and tribes. In short, goods and grace circulated together in a system of social coordination, as an economy of “social relationships ...constituted and validated through exchange” (Schieffelin 1990, p. 5). Rational self-interest and competition were ever-present yet were hemmed in by collective values and norms in interwoven systems of exchange and distribution that reached all members of the society. Widespread cultural evidence such as this led Raoul Naroll (1983) to conclude that humans everywhere shared an instinct for morality that enabled survival through cooperation in food gathering, food sharing, protection, and procreation. The evidence continues to accumulate that our species evolved as a “collective survival enterprise” with innate moral mechanisms that incorporate individual competition and inequalities into an overall social priority on group welfare and cohesion: “what economists call ‘public goods’ or the public interest” (Corning 2011, p. 38).

Writing only a few years after Darwin published *The Descent of Man* (1871) with its emphasis on the social virtues as central to human evolution, Nietzsche recast these virtues as the “oldest and naïvist moral canon of justice” which required fair play, objectivity in determining value, and good will in systems of exchange (Nietzsche 1887/1956, p. 203).

We have observed that the feeling of guilt and personal obligation had its inception in the oldest and most primitive relationship between human beings, that of buyer and seller, creditor and debtor. ...The mind of early man was preoccupied to such an extent with price making assessment of values, the devising and exchange of equivalents, that, in a certain sense, this may be said to have constituted his thinking. Here we find the oldest variety of human acuteness, as well as the first indication of human pride, of a superiority over other animals. Perhaps our word *man* (*manas*) still expresses something of that pride: man saw himself as the being that measures values, the “assaying” animal. Purchase and sale, together with their psychological trappings, antedate even the rudiments of social organization and covenants. From its rudimentary manifestation in interpersonal law, the incipient sense of barter, contract, guilt, right, obligation, compensation was projected into the crudest communal complexes... (Nietzsche 1887/1956, p. 202)

These highly competitive exchanges occurred under the eyes of the community which judged the parties and their agreements, held the parties accountable, and rewarded them with honor. Failure on the part of debtors to repay creditors resulted in being stripped of social and material benefits or even expelled from the community, which was the equivalent of death (pp. 203–204). The creditor had the option, in the abundance of power and wealth, to forgive the debtor, to turn justice into mercy and debt into generosity, earning thereby even greater honor in the eyes of all—and, at the same time, increasing the burden of shame on the debtor who could not pay (p. 205).

In sum, the human species evolved in and *as* systems of exchange, in groups that *were* marketplaces. In the same way that Acemoglu and Robinson (2015) have argued that politics and social institutions are endogenous to economies, evolutionary theory and comparative anthropology show that morals are endogenous to markets.

### 4.3 Disjunction: Morals vs. Markets vs. Morals

When looking at the behaviors of twelfth century merchants in Italian city-states, fifteenth century bankers in the Low Countries, and seventeenth century Protestant reformers and political theorists, it is clear that a fundamental shift had occurred in the morally integrated marketplace. Although the innate moral mechanisms of communal welfare still functioned in these societies, they no longer governed marketplace exchanges. Two fundamental changes, one organizational and the other moral, appear to have coincided in these centuries, obscuring the broad social purposes of markets and augmenting individual pursuit of self-interest and wealth accumulation.

#### 4.3.1 *Business Organization*

Chandler (1977) began his history of the “managerial revolution” by noting that business organizations in the United States up to the 1840s were generally single-unit, single-family enterprises, and as such they “were coordinated and monitored by market and price mechanisms” (p. 3). In the following decades, new technologies and expanded markets brought a new form of business organization with a managerial hierarchy, so that “the visible hand of management replaced the invisible hand of market forces” (p. 12). In a way not directly addressed by Chandler, this shift in business organization had profound effects on market orientation to the common good.

Chandler’s modern business organizations were prefigured 800 years earlier when business corporations emerged in the Renaissance city-states, which in turn modeled their operations on the organizational successes of medieval monasteries (Stark 2005). The advantages of greater organization were the same in all three situations: coordination of skills that enabled the movement into new markets and enterprises, efficient adaptation to bring knowledge and skills together for innovation, and cooperative social dynamics within the organization to increase trust and reduce inefficiencies due to opportunism (Ghoshal and Moran 1996, pp. 33–35).

It is important to note fundamental shifts in purpose in the organizational forms of nineteenth century America, their twelfth century precursors, and seventh century monasteries and feudal estates. The corporations and banks of Venice, Florence, Genoa, Antwerp, and Amsterdam operated as privately held companies for family profits, distinct in this way from modern publicly held corporations but similar to

large privately held corporations today. The monasteries and feudal estates, on the other hand, functioned as commonwealths responsible first of all for the community within, including pilgrims, beggars, and ultimately all the poor in their region. In this sense, feudal lords, monasteries, and cathedral churches inherited the civic obligations of the Roman *nobiles* for all persons engaged in their economic circle, including now the expanded Christian responsibility of caring for the poor.

In the feudal estates that dominated Western Europe during this time, individual property was universally recognized and yet “in practice the solidarity of the kindred was frequently extended to community of goods” (Bloch 1961, p. 130). “Kindred” in this age was constituted in two ways, through blood ties and through vassalage—*magen und mannen*—both equally binding (p. 124). The first feudal age of the sixth through the ninth centuries saw a considerable reduction in population from that of the Roman Empire at its height, so that the feudal estates functioned as regional agricultural communities with strict social distinctions between nobility and laborers, or serfs.

Care for the poor had been a social feature of Christian communities from their very beginnings, a fact that became an imperial expectation under the Emperor Constantine in the fourth century, who explicitly commanded the bishops to care for the poor in their cities (Brown, 2012). As the ancient order of Rome broke down in the sixth and seventh centuries and more decentralized power structures emerged, the monks migrated toward marginal lands not claimed by local nobility. There they farmed, herded livestock, and prayed—becoming providers of material and spiritual sustenance for their surrounding region (Brown, 2003, p. 222). Thus the monasteries continued the archaic and ancient understandings of an economy serving the whole people.

As feudal nobles were attracted or coerced into allegiance to kings in the second feudal age, their locally organized economies were recruited into the service of the nation. Population increased and both local landowners and merchants from the towns and cities rallied to the king for the protection he could provide and the much increased economic activity that resulted.

Out of the political and economic alliances between crown, merchants, rural gentry, and professional people emerged economic policies designed to unify the nation under a single strong ruler, develop its military and naval strength, and increase its wealth through both domestic production and foreign trade. (Fusfeld 2002, p. 14)

The impulse to direct economic activity to serve the common good was clearly represented but now extended far beyond the bonds of friendship, patronage, and vassalage. Within the formal ties of nationhood, the common good was translated into the policies of mercantilism and colonial expansion and exploitation.

The national orientation of mercantilism gave way gradually to the rising influence of economic liberals and the powerful corporations for which they spoke. These large corporations, enriched by colonial trade and national protections, became the embodiment of self-interest and the prime exemplars of Adam Smith’s theory of the distribution of economic benefits through the private pursuit of wealth (Brown 2010). In their allegiance to the crown, these great corporations accumulated vast wealth while at the same time serving national purposes: funding royal adventures

of colonial expansion and wars against competing kingdoms. The new economic theories explicitly connected the ambitions of natural liberty and self-interest to these very visible and dominating corporations, which were in turn tied to the national good with the assumption that the good of the nation was the good of all.

The North American colonies were settled and expanded under the regime of mercantilism and its economic philosophy and policy of national wealth and expansion. It is crucial to emphasize, however, that the underlying assumptions in the North American colonies were radically tilted away from communal inheritance and obligation and toward individual self-interest and ambition. The end was believed to be the same—a strong national economy—but the means now lay in the hands of private parties pursuing their own self-interest.

### 4.3.2 *Moral Transformation*

These developments in organizational structures and purposes provided the context for a new way of thinking about human purpose and morals. The vestiges of archaic and ancient communal obligations remained in the social affects of honor and shame, but they no longer operated in an economy that functioned as a system of all-embracing social coordination. The marketplace had shifted in a few centuries from social dynamics of interpersonal and traditional accountabilities to an impersonal framework of national purpose. At the operational level, business organizations spelled out their accountabilities in contracts and deals narrowly conceived, excluding larger social obligations and limiting commitments to explicit terms between contracting parties. Competitive self-interest, pursued through many millennia within an economy of honor, wealth distribution, and collective obligations, was now being exercised within a framework governed by the pursuit of private property and wealth accumulation socially and legally shielded from communal claims.

Friedrich Nietzsche (1887/1956) saw this economic evolution as a consequence of the displacement of ancient understandings of goodness and honor by Christian norms of humility and mercy. He acutely traced this shift in three stages, from the highly visible bases of honor in communal societies described above, through the subordination of the old virtues of pride and honor to the new virtues of love and humility, to the marginalization of the new virtues within an endless scramble for power and wealth. He marked this inversion of values with the emerging and then dominating influence of Christianity, in which the “aristocratic value equations good/noble/powerful/beautiful/happy/favored-of-the-gods” were replaced with the assertion that “only the poor, the powerless, are good” (1887/1956, p. 167). Where the old basis of honor explicitly courted communal display and acclamation, Christians explicitly denounced such visible displays in favor of hidden, internal accountability—honor before God: “Beware of practicing your piety before others in order to be seen by them; for then you have no reward from your Father in heaven” (Matthew 6:1, *New Revised Standard Version*).

Nietzsche did not have the benefit of recent archeological discoveries in formulating his thesis, yet he could see that humility in the Christian era could be displayed in elaborately decorated cathedrals and monuments to the martyrs. The historian Peter Brown has cited extensive archeological evidence that the renunciation of wealth and honor was in fact a shift to a different economy of wealth and honor, “in a society where—for pagans, Jews, and Christians alike—religious giving was thought of as a religious transaction” (2012, p. xxiv). Evidence uncovered in the last few decades—in Christian catacombs, family mansions or houses, memorial inscriptions, and places of worship—makes it clear that early Christians retained a lively interest in the honor to be attained by giving. What changed was the object of the gift: Whereas the Roman *nobiles* gave to their city as an expression of *civitas*, the Christians gave to their churches and to the poor as expressions of *caritas*.

The old Roman gentry saw the threat in this, as the love of God replaced love of the city. Not only were Christians redirecting wealth away from city projects, monuments, and games to churches and the poor, but they looked down upon the former as being of no account or of only short-term interest.

They thought in terms of two different orbits of exchange. Purely earthly gifts moved, as it were, on a quick circuit. Money exchanged hands. Clients and patrons exchanged favors and support. The grand gift of the urban benefactor was greeted, instantly, by the roar of the counter-gift of praise. All of these exchanges happened in this world only...

Gifts to the other world were different. They were thought of as having set off on an orbit so far distant and so divorced from human time as to leave the imagination haunted by thoughts of incommensurability.... Heaven and earth were brought together by the Christian gift. (Brown 2012, p. 85)

It appeared to Nietzsche that the Christian denunciation of honor was merely an underhanded way for the clergy to gain power over the warrior class and win the ultimate prize of eternal life: “the egoism of the individual, to an extreme—to the extreme of individual immortality” (Nietzsche 1887–1888/1995, p. 349). His analysis missed the more important transition, that visible and public duties to the commonwealth here and now became mixed with invisible and personal duties to God in eternity. Indeed, accountability to visible, communal, honor-bound duties could be let go for the sake of individual conversion, and wealth formerly destined to the support of the *respublica* or city was now diverted to alternative uses such as building shrines to the saints, raising cathedrals for bishops and their clergy, supporting monasteries, and funding the labors and meditations of scholars and mystics.

This shift in accountability had profound effects on marketplace ethics. A kind of moral liberation occurred, in which personal judgments of conscience could override communal or civic duties. Despite persistent efforts by Christian bishops to direct gifts to the support of churches and communal needs, the change in thinking was definitive, toward a new duality in thought between social approval and the sacred conscience of the individual. The system of values “embracing all human interests and activities...is replaced by the conception of separate and parallel compartments” (Tawney 1926, p. 8). In this new spiritual economy, individual salvation was found in individual fidelity to God’s unique calling to each person.

In archaic and ancient societies, sincerity was externally-oriented and displayed in generous giving, with little concern for how happy the giver might be about doing it.

Sincerity in the Modern Age became internally-oriented. What really mattered morally was the sincerity of internal motivation, consistent with the Christian admonition: *hilarem datorem diligit deus*—God loves a cheerful giver (2 Cor. 9:7). In the same spirit, Immanuel Kant was able to say, “It is impossible to conceive of anything at all in the world, or even out of it, which can be taken as good without qualification, except a *good will*” (Kant 1785/1956, p. 61; emphasis in original). As Kant pointed out, it was impossible to know for sure if someone or even oneself was acting only out of duty. The sincerity that really mattered could be judged only by God. Thus participation in the community of exchange became marked by a different kind of freedom: what really mattered was hidden from human view, so that judgment was reserved regarding external moral accountability. Without doubt, social accountability took no vacations, and social approval or approbation remained as strong as ever. But in the Modern Age, these judgments had to stop at the door of the heart, where only conscience ruled.

This shift in morals would not have been possible without the accompanying shift in business organization. The entire moral framework of personal participation in an economy of the commonwealth was sustained and enforced by informal social controls as individuals exchanged goods and services with a knowledge of current demand, available resources, and the value of interpersonal trust. Increasingly, however, systems of banking and trade became powerful sources of wealth and political influence. Thus the stage was set for a shift in the marketplace from a system of exchange within “a community of unequal classes with varying functions, organized for a common end” to a system of impersonal supply and demand organized around private property, contract, price, and competition (Tawney 1926, p. 13). In the former, moral obligations to the commonwealth were central and endogenous in the system of exchange; in the latter, communal obligations were limited to the price of goods in a marketplace that revolved around norms of negotiation and exchange between contracting parties.

Christian moralists and Catholic canonists still insisted that personal salvation was tied to love of neighbor, and they preached a moral doctrine of public accountability: just prices and care for the poor. Yet the grip of clerical and communal accountability was loosening as moral accountability was owed more and more to God and individual moral integrity—and the bestowal of honor was accorded less to *civitas* and *caritas* and more to the accumulation of wealth.

Underlying the new morality was the idea that...salvation was earned by hard work in one’s calling, and any calling—even that of the merchant—was equal in merit to any other in the eyes of God. But how was one to identify one’s calling? The theologians answered: partly through inner feeling and partly through success. Worldly success indicated that one had found the calling that God had approved. To achieve success, avoid idleness, temptation, and luxury; work hard and save. (Fusfeld 2002, p. 11)

Honor before God was thus verified by the accumulation of wealth. Wealth—which from the beginnings of human history was a mark of honor—now came with a new purchasing power in terms of morals: rather than generating an obligation to give to the community in a potlatch or acts of citizenship, the accumulation was itself testimony to moral righteousness. Indeed, thrift and saving were morally superior to charitable giving that could encourage indolence and become a disincentive to thrift and saving.

In this new kind of exchange system, the personal ambition for glory and dominance—always a part of human communities—was expressed more and more as new a freedom to accumulate without distribution. The ancient and fundamental obligations of wealth that were locked into systems of giving, receiving and reciprocating now were now replaced by obligations—also stated as a fundamental liberty—to take and to hold.

## 4.4 Modern Conceptions of Property and Markets

At the time of their coming together as a republic, the 13 former English colonies organized in accord with three fundamental assumptions that justified their political institutions and guided their governance: *first*, a commitment to the liberties of the moderns as opposed to the liberties of the ancients; *second*, the recognition of a natural right to private property as opposed to a legal right; and *third*, the assertion of a sacred right of property to replace the divine right of kings as the central authority upon which government and society rested. These deeply rooted understandings of individual liberties and property rights in a competitive market were seen as key drivers of economic, social, and political coordination in a just political economy. Individual rights, private property, and government by citizen consent formed the three pillars of American liberalism (Palmer 2002) and stood together as a thoroughly integrated conception of freedom and national strength. The assumptions underlying these principles provided the social and philosophical foundations for a just economy as envisioned in the American colonies.

### 4.4.1 Liberties of the Moderns

At the beginning of the nineteenth century, Benjamin Constant (1816) declared that after 250 years of political innovation in European societies, it would be a disaster to attempt to govern in accord with the “liberty of the ancients.” He meant by this a sovereignty held in common and exercised collectively, as in the ancient city-states of Greece and later medieval Europe. These polities, freed from foreign domination, could exercise their collective liberty through their king or through their sovereign assembly as one people.

They admitted as compatible with this collective freedom the complete subjection of the individual to the authority of the community...All private actions were submitted to a severe surveillance. No importance was given to individual independence, neither in relation to opinions, nor to labor, nor, above all, to religion...As a citizen, he decided on peace and war: as a private individual, he was constrained, watched and repressed in all his movements. (Constant 1816, para. 8, 9)

Constant argued that in the Modern Age, the collective freedom of the ancients had been supplanted by the individual “liberties of the moderns”, by which nations must now be governed in their commercial, social, and political life. Modern citizens



were subject “only to the laws” and could not be subjected to any restraint or punishment not legally enacted (para. 7).

It is the right of everyone to express their [*sic.*] opinion, choose a profession and practice it, to dispose of property, and even to abuse it; to come and go without permission, and without having to account for their motives or undertakings. It is everyone’s right to associate with other individuals, either to discuss their interests, or to profess the religion which they and their associates prefer, or even simply to occupy their days or hours in a way which is most compatible with their inclinations or whims. Finally it is everyone’s right to exercise some influence on the administration of the government, either by electing all or particular officials, or through representations, petitions, demands to which the authorities are more or less compelled to pay heed. (Constant 1816, para. 7)

Constant saw the liberties of the moderns as necessary in the new age of global commerce and expansive nation-states. Commerce, he thought, would displace war as the arena of contest between nations as despotism was restrained by the interlocking obligations of credit. Property was no longer tied down to the land but had become a circulation of wealth that inspired a vivid love of individual independence (para. 20). Thus the political liberties guaranteed freedom of commerce, and freedom of commerce gave direction to the political liberties. This shift to the liberties of the moderns was complete and could not be undone without suppression of these now-recognized rights.

The liberties of the moderns were explicitly adopted as the creed of governance in the new United States, which declared its independence on the basis of self-evident individual rights. The entire structure of government at the local, state, and federal levels rested upon the people as free individuals, each subject above all to his or her individual will and conscience. This commitment posed unique challenges to national identity and governance. The great majority of citizens devoted their public attention almost entirely to commercial activity, leaving the obligations of self-government to the elite few who were wealthy enough to give their time to it. Benjamin Constant foresaw this focus on commerce rather than government as a natural development, and he suggested that citizens needed to find a means of representation to which they would be willing to give at least some of their attention in order to consider concerns of government (paras. 49–52). This collective duty also required a way to “achieve the moral education of citizens” that good government requires (para. 57).

Whether or how these public needs were met is one of the key questions addressed by this book: How is the American commitment to the pursuit of economic self-interest translated into consideration of public affairs and care for the common good?

The liberties of the moderns became the predominant political agenda in the emerging United States, explicitly linking individual freedom and citizenship with economic opportunity. With its rapidly expanding borders, exploding commercial activity, and eroding sense of class distinctions, the new nation developed a self-understanding informed by these liberties, with an implicit assumption that self-interest was ultimately directed to the common good. The key link in this assumption was private property, which was a means of livelihood and economic advancement as well as a tangible stake in the protections and provisions of government.

### 4.4.2 *Natural Right to Property*

Throughout the long sweep of human history, individuals have exercised control over some portion of land, animals, dwelling, food, or other resources. Aristotle (1946) devoted the whole of Ch. V of Book II of his *Politics* to various mixes of communal and private ownership, evaluating how each mix contributed to human well-being. He saw that it was “a difficult business for men to live together and to be partners in any form of human activity...but it is specially difficult to do so when property is involved” (*Politics*, Bk. II.V., 1262–1264). In the ideal state, he thought, property should not be owned in common but “used in common,” making sure that “none of the citizens should go in need of subsistence” (Bk.VII, Ch.X, 1329–1330).

The great variety of property arrangements convinced Aristotle that the manner of owning property was not a law of nature, but rather a human invention: a strategy to solve a problem in community life. He therefore specified that private ownership was not a natural right but rather a human convention that was contingent on right use, that is, an arrangement binding private property to the common welfare (Fortin 1992, p. 210).

Thomas Aquinas (1947) elaborated on Aristotle’s argument by more clearly distinguishing the order of nature from order created by humans.

There is order in the use of natural things; for the imperfect are for the use of the perfect; as the plants make use of the earth for their nourishment, and animals make use of plants, and man makes use of both plants and animals. Therefore it is in keeping with the order of nature, that man should be master over animals (Aquinas, *Summa Theologica* [hereafter, *S.T.*], 1, Q.XCVI, art.1)

In contrast, Aquinas made it clear that individual possession of property was not a matter of the natural order, although it could be arranged in a manner consistent with the natural order.

Community of goods is ascribed to the natural law, not that the natural law dictates that all things should be possessed in common and that nothing should be possessed as one’s own: but because the division of possessions is not according to the natural law, but rather arose from human agreement which belongs to positive law... Hence the ownership of possessions is not contrary to the natural law, but an addition thereto devised by human reason. (*S.T.*, 2-2, Q.LXVI, art. 2).

Aquinas repeated in this context Aristotle’s argument for private property as a way to reduce conflict and increase communal harmony: that each person would be more careful in regard to what was owned personally, that private ownership was more orderly because responsibilities were apportioned to one’s own property, and that “a more peaceful state is ensured to man if each one is contented with his own” (*S.T.*, 2-2, Q.LXVI, art.2).

Western moral tradition was consistent on this point, that “according to natural law the earth originally belonged to everyone” and its division into privately owned parcels, “dictated in large measure by reasons of expediency, was a matter of human or positive law” (Fortin 1992, p. 210.). The rules governing private property were premised on the larger and prior fact of the common welfare, and property rules could be—and must be—revised to ensure that common needs were met.

Thus restrictions were imposed on trade, profits, production, and labor to support the social order and ensure that all were able to work and eat. In this world, a just price would be “a voluntary exchange conducted with a reasoned awareness of each other’s good and the good of the larger community” (Koehn and Wilbratte 2012, p. 505). The just price was not rigidly fixed since it was affected by scarcity and abundance, yet neither it did vary merely for the benefit of individual opportunity (Tawney 1926, p. 40). Similarly, use of land was restricted since there was no “unconditional individual property in land” (Macpherson 1962, p. 49). Both land and the persons on it were bound together in the interest of communal welfare. This was a “functional theory of society” in which each person and class had a corresponding function to contribute to the good of the whole, a “doctrine that was at once repressive and protective” (Tawney 1926, pp. 22–23). Property ownership, socially bound individual duties, and the common welfare formed the triad upon which the commercial and moral order of medieval society was built. It therefore also became the site upon which the medieval commercial and moral order was dismantled.

The vanguard of change was the 10% of the population living in Flanders and the Italian city-states. These regions were thriving centers of commercial activity that developed alternative social norms (Tawney 1926, pp. 56–57) as their banking operations supported kingdoms, wars (including the crusades), and exploration of far-away lands. According to Rodney Stark (2005), the capitalist impulse in these centers was an outgrowth of the individual call to conversion in Christianity, which invoked a rational defense of individual freedom to part from old commitments and social restrictions and live in a community of equality in the sight of God. From their very beginnings, Christian communities created a distinct subculture of individual choice, elected leadership, and inherent equality (Brown 2012). These same themes appeared—with Christian benediction—in towns that were free from feudal control, where individuals could voluntarily become part of an expanding market society and where new lines of political and social philosophy could emerge based on individual autonomy.

These were the fundamental social, economic, and religious changes that prompted Thomas Hobbes to compose a new rationale for social membership and a new foundation for the relationship between sovereign and subjects. At the heart of his theory of political community was a radical reversal of the earlier understanding of property rights based on a new understanding of human nature. Where Aristotle and Aquinas had seen the human person as inherently social and a community of goods as the law of nature, Hobbes proposed that the individual came first in the natural order and that community was a human invention.

According to Hobbes, the bedrock foundation of natural order was “a natural right of every man to every thing.” This right appeared originally when humans lived in the state of nature prior to the formation of society, and it endured when individuals entered into community. Hobbes recognized the inherent tendency toward disintegration in this natural right, that private property was one of several doctrines that “tendeth to the dissolution of a Commonwealth...that every private man has an absolute propriety in his goods, such as excludeth the right of the sovereign” (1651/1952, II. Ch. 29, p. 150). He therefore insisted that, in order for society to continue, it was necessary for each person coming into society to relinquish the

exercise of this right so that the sovereign could fulfill its obligation to protect the commonwealth and maintain peace (Hobbes 1651/1952, I. Ch. 14, pp. 86–87).

Writing a generation after Hobbes, John Locke attempted to reconcile Hobbes' innovation with the old moral order. Locke affirmed the ancient and medieval doctrine that all the goods of the earth were given by God for the use of all as a matter of natural law, but he interpreted this as an individual natural right for each person to take from this commons what was needed to live (1690/1980, Ch. V.26, pp. 18–19). This right to possession was based on the body: since each person possessed a body by nature, and since labor was part of the person's own body, then the fruits of labor were also each person's possession (Ch. V.27–30, pp. 19–20). Building on this right, he elaborated that what the person took from the commons with his or her labor then became and remained his or her private property—also by natural right. Thus, the natural right to private property originated prior to membership in a commons. It was a natural right settled in the state of nature prior to civil society, and it therefore had no need for any authorization by those responsible for protecting the commonwealth. Private property and the market economy in which it existed came before government, and thus it was by natural right legitimated beyond the interference of government (Macpherson 1962, p. 210).

With this defense of a natural right to property in place, Locke proceeded to address the long-standing moral tradition that economic arrangements must serve the common welfare. In order to justify the social inequities of his own society, he argued for a right to possession that was independent of the person's duties to society. Because persons coming into civil society retained the rights of property and arrangements of wage-relations that were established prior to civil society, they transferred to government only their own power to *protect* the rights they already had by nature. They gave government no power to *override* their natural rights or create new rights (Macpherson 1962, p. 218), nor did they relinquish the exercise of their rights for the sake of social peace as Hobbes had supposed. Their labor and property were owned by natural right without assistance or permission of civil society, therefore no claims could be registered against their property in order to fulfill the social functions of property and labor which were central to the medieval conception of society (p. 221).

This argument seemed to relieve the wealthy of social responsibility, because the accumulation of private acquisitions in the hands of a few could leave others without any part of the commons to fulfill their natural right to sustenance. Locke countered that no one could rightfully take possession of more property than he or she could use or retain without spoilage (Ch. V.31, pp. 20–21). These conditions seemed reasonable in reaching back to a settled agrarian image of wealth, with full granaries and cellars: spoilage was a real issue and a clear example of unholy greed. These conservative limits on possession were rendered moot, however, by the introduction of money, which could be accumulated as property far beyond what one could personally use and yet never spoil. The social fact of money removed all limits on wealth accumulation, without reference to social needs.

This was not all: money carried within it—by the fact of consent to its value—consent to the social inequities that accompanied its use:

But since gold and silver, being little useful to the life of man in proportion to food, raiment, and carriage, has its *value* only from the consent of men, whereof *labour* yet *makes*, in great part, *the measure*, it is plain, that men have agreed to a disproportionate and unequal *possession of the earth*, they having, by a tacit and voluntary consent, found out a way how a man may fairly possess more land than he himself can use the product of, by receiving in exchange for the overplus gold and silver which may be hoarded up without injury to any one. (Locke 1690/1980, Ch.V.50, p. 29; emphasis in original)

Locke also observed that one person's accumulation of money posed no threat to the ability of others to get what they needed (Ch. V.37 and 47, pp. 23–24, 28). Despite the doubtfulness of this claim in fact, it cut off another possible claim against unlimited wealth accumulation.

Locke's justification of private property might be seen as upholding the most attractive aspect of a private property economy, namely, the opportunity for any person to become rich. However, he was also intent upon justifying the social stratification of his own time: to exclude servants from the natural right to property.

As a free subject, Locke explicitly included in his own labor "the grass my horse has bit; the turfs my servant has cut" (1690/1980, Ch. V.28, pp. 19–20). By claiming the servant's labor as his own, this statement by Locke seems to clearly violate his argument that all persons have a natural right to possession by the labor of their bodies. However, Locke justified this exclusion of the servant's labor by reading wage-relations back into the state of nature as an agreement (contract) between the employer and wage-earner prior to civil society (Macpherson 1962, pp. 217–218). On the basis of this primordial contract, wage-laborers had already relinquished all intent or claim to property ownership before entering into community. Locke saw supporting evidence for this argument in the lives of wage-laborers: despite the fact that all humans were by nature equally rational, he pointed out that servants did not display the kind of rational ordering seen in the landed class. Not only did their low station in life show that they were incapable of rational conduct, but their poverty showed their moral depravity as well, since they existed on wages "normally at a bare subsistence level" (Macpherson 1962, p. 223). Thus, by their lack of both reason and morals, the servant class had no part in citizenship and no role in governing (pp. 228–229).

This allowed Locke to justify a permanent labor class. Once all the land was appropriated as property, those who labored had nothing but their labor to sell, with no right to anything from the property of owners. Since all members of society tacitly agreed to the use of money and therefore agreed to the unlimited accumulation of capital—allowing a great surplus of property in relatively few hands—Locke could argue that goods were justly allocated by merit, despite inequalities. Permanent class divisions that seemed on first glance to violate individual rights and equality were therefore justified by a theory of individual natural rights.

In the new United States, Locke's conception of property rights not only informed the new Constitution but also justified the seizure of land from Indian nations, since it was argued that the aboriginal people had by their labor added nothing to nature through farming or other enhanced productivity. This justification was self-serving and fallacious, since many Indian nations were in fact farming when settlers arrived

(Brown 1948) and many others took up agriculture upon the urging of colonists (Langguth 2010).

### 4.4.3 *Sacred Right of Property*

Standing upon Locke's theory of a natural right to property, Adam Smith recognized in it also a sacred right. "The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable" (Smith 1776/1981, Bk.I.x.12 [p. 138]). In making this claim, Smith went beyond the arguments of Hobbes and Locke that private property was a natural right prior to civil society and government. As a *sacred* right, property ownership could lay claim to a divine authority long claimed by the royal ruling class: the divine right of kings.

It so happens that the tandem "sacred" and "inviolable" is indigenous to another context where its significance is more easily grasped, namely, that of the notion of sacred kingship as it had developed in the West from the Hellenistic period onward, eventually reaching its culmination in the 17th-century theory of the divine right of kings. If the king is the anointed of God, if he rules by right of hereditary succession, if that right is indefeasible, if he is entitled to the total submission of his subjects, and if his actions are not to be judged by anyone save God, it makes some sense to refer to his person as sacred and inviolable. Any attempt on his life, challenge to his prerogatives, or resistance to his rule even in the name of religion becomes a sacrilege. (Fortin 1992, p. 213)

Where the philosophers of the Scottish Enlightenment saw a divine right to property as a limit on the divine right of the king, the founders of the American republic saw sufficient reason to dispense with the rights of kingship entirely. In support of the newly drafted Constitution for the United States, Alexander Hamilton argued in Federalist Paper No. 69 that a king who "is sacred and inviolable," accountable to no tribunal and subject to no punishment, would be replaced under the Constitution by an elected and impeachable executive (Fairfield 1788/1966, p. 193). No king was needed, for either his protection or his bestowal of order. The liberty and power of the people were not delegated to them by any human source but were derived from their sacred and inviolable ownership of property. Liberty, in 1788, was thus a doctrine of government resting on a doctrine of property. As Sachs has recently written in reference to the philosophy of libertarianism, "Liberty in this vision is the freedom to buy, sell and protect one's property. Neither government, nor regulation, nor even moral self-restraint, should interfere" (Sachs 2014, p. 18). Conversely, without property and the rights attached to it, liberty would be empty. As Fortin concisely noted, "One can say that in the course of the 17th and 18th centuries the divine right of kings was replaced by the sacred right of capitalists" (1992, p. 214).

In the evangelical fervor of the United States, the divine right of property was read back into the gospels on the basis of the Golden Rule. According to Francis Wayland, an American Baptist minister who affirmed a morality based entirely on obedience to the divine will, it was clear that self-love was evil but that many activities—including economic activity—were morally innocent as long as one followed

the “duty of reciprocity” in respecting the rights of others that one held dear for oneself (Frey 2009, p. 44). Most important among these rights was the right to property, upon which human life and the progress of civilization depended.

Wayland abandoned fully the Puritan sense that property rights were contingent on their service to God and the common good. Instead he made them absolute. His *Moral Science* stated that “the value of property depends upon the unrestrained use which I am allowed to make of it” and denied society the right to abridge those rights. (Frey 2009, p. 45)

The British sociologist Herbert Spencer argued to the same conclusion on natural grounds, that the right to property was the most fundamental of rights because property was necessary for life itself. In order for society to continue to evolve, property rights and freedom of contract had to be absolute and deserved the diligent protection of government (Frey 2009, p. 89).

#### ***4.4.4 The Free Market as a System of Economic Coordination***

During the same period that property was pried loose from its communal obligations, commerce was liberated from its moral bonds. Dudley North argued at the end of the seventeenth century that people exchanged goods because both saw an advantage in doing so, and that their freedom to trade promoted specialization and ultimately increased wealth for all. Regulation merely interfered with these naturally occurring and self-regulating benefits (Fusfeld 2002, p. 20). In 1704 Mandeville published *The Fable of the Bees*, validating and blessing the ambition driving this wealth creation system:

Progress came from the selfish motives of the individual—desire for ease and comfort, luxury and pleasure... Prosperity and economic growth would be increased by giving free play to the selfish motives of the individual, limited only by the maintenance of justice. (Fusfeld 2002, p. 20)

Seventy years later, Adam Smith (1776/1981) built on these foundations to describe an economy fueled and guided by self-interest in *An Inquiry into the Nature and Causes of the Wealth of Nations*, presenting a market economy as a free-standing, impersonal, and self-regulating system of production, exchange, and wealth distribution. His concept of self-regulation in a private property system of exchange was simple, elegant, and captivating: a market economy—left free—would naturally coordinate all the economic factors of production, cost, and distribution. This was not, however, an economy lacking moral governance, since humans by nature loved humankind and saw their own interests served in the prosperity of society. Indeed, in “promoting the happiness of mankind” humans were in fact cooperating with “the scheme which the Author of nature has established for the happiness and perfection of the world,” and actions to the contrary would make us “in some measure enemies of God” (Smith 1759/1984, III.V: p. 166). In Smith’s view, the “invisible hand” guiding the economy was not “a brute natural fact, like gravity, but a pattern that implies intention and intelligence” in moral conformity with the Divine plan for the happiness of humankind (Kleinbard 2015: p. 35).

Two centuries later, F. A. Hayek set aside Smith's convictions regarding moral guidance and reduced the market pattern of intention and intelligence to the price mechanism operating in a free market as “the only method by which such coordination can be brought about” (Hayek 1944/2007, p. 95). He argued that the actors and information involved in the marketplace are too complex and numerous to be comprehended by any “synoptic view” such as centralized government planning. Only a decentralized system could connect the myriad agents as each attempted to maximize efficiency in pursuit of profits: adjusting production, sales, and purchases according to what other agents were making, offering, and acquiring and incorporating all such considerations into the market price.

This is precisely what the price system does under competition, and which no other system even promises to accomplish. It enables entrepreneurs, by watching the movement of comparatively few prices, as an engineer watches the hands of a few dials, to adjust their activities to those of their fellows. The important point here is that the price system will fulfill this function only if competition prevails, that is, if the individual producer has to adapt himself to price changes and cannot control them. The more complicated the whole, the more dependent we become on that division of knowledge between individuals whose separate efforts are coordinated by the impersonal mechanism for transmitting the relevant information known by us as the price system. (Hayek 1944/2007, pp. 95–96)

Hayek did not consider it necessary that every agent act rationally or that “sophisticated, rational individuals always adapt to their opportunity set” (Jensen and Meckling 1994, p. 13). Individual agents may act impulsively, they may be gullible or cautious, well-informed or not. Their attitudes may shift day to day, since “there are a bunch of different versions of you, who come to the fore under different conditions” (Berreby 2008, p. 21). As Hayek (1937) pointed out, the price mechanism could not depend upon rationality because the information in the market price is neither static nor objectively available, the subjective decisions by each agent are not known in advance, and their considerations are continually changing. Despite this underlying subjectivity, “it is simply assumed that the subjective data coincide with the objective facts” (Hayek 1937, p. 43). The result is an overall sense of stability, so that individuals can plan and coordinate their activities. The free market works *as if* it were rational:

The whole economic system must be assumed to be one perfect market in which everybody knows everything. The assumption of a perfect market then means nothing less than that all the members of the community, even if they are not supposed to be strictly omniscient, are at least supposed to know automatically all that is relevant to their decisions. (Hayek 1937, p. 45)

## 4.5 American Foundations for Business Ethics

The American political experiment launched in late eighteenth century was inseparable from the ideals of private property, individual liberty, and a largely self-regulating market that could ensure both individual and national prosperity. To some extent, these ideals seemed to be validated as the United States expanded its conquest of indigenous nations across the continent, seizing new land and other



natural resources and making them available to white settlers, prospectors, and traders. The ideal, and often the reality, of upward mobility fostered frequent relocation and a multitude of immigrants. From the last decades of the nineteenth century on, however, the emergence and growth of economic inequalities became more pronounced, with frequent periods of economic recession, labor unrest or even violence, farm failures, and large-scale disruptions due to speculation in land, loans, and stocks of all kinds. The tendencies toward economic disparity were reversed only for a 30 year period in the mid-twentieth century occasioned by loss of capital by the wealthy during the Great Depression and government programs to meet basic needs of the poor and elderly (Morris 2014, p. 9). Beginning in the 1980s, disparities have increased steadily, with increasing rent-seeking behavior in a more deregulated economy and decreasing upward mobility as public investment in education and social services declines (Stiglitz 2012, pp. 92–102). Even the Affordable Care Act of 2010 has failed to extend its benefits to most poor families, since the U.S. Supreme Court struck down the requirement that states expand their Medicaid programs to cover adults at or below 138 % of the poverty level (Kaveny 2014, p. 7).

### ***4.5.1 Historical Foundations for American Business Ethics***

The United States of America began as a constellation of states with a common cause for liberty and a diversity of visions for the future. Allowing for oversimplification, two persistent visions have inspired conflicting political agendas and provided conflicting social and philosophical foundations for business ethics—and business ethics education. One vision, often identified with Alexander Hamilton as its champion, advocated for a strong centralized national government with unitary sovereignty on the model of powerful European nations. The competing vision, often taking Thomas Jefferson as its most eloquent advocate, fostered an ideal of power dispersed among the states and sovereignty broadly vested in an independent and enterprising citizenry (Read 2000). Thirty years into the life of republic, both ideals had triumphed in their own fashion. The national government had affirmed Hamilton’s vision of its sovereignty over the states: levying taxes and tariffs, instituting Constitutional review of state laws, centralizing currency and monetary policy, insisting on federal domination of Indian affairs, and monopolizing the power to wage war and represent national interests overseas—this last result achieved by the War of 1812. Yet despite these real gains in national ascendancy, the same decades saw strong popular affirmation of Jefferson’s ideals of limited government and citizen equality. The notion of individual liberty had captured the national imagination: distinctions in social rank were repudiated, the self-made man was celebrated, the ingenuity of the common farmer and inventor was highly esteemed—to the denigration and mockery of cultivated tastes and classical wisdom—and enthusiastic itinerant evangelists eclipsed the authority of established religion. Everywhere, self-interested industry was seen as the driving force of national character, cohesion, and expansion (Wood 2009).

By the early nineteenth century technology and prosperity were assuming for Americans the same sublime and moral significance that the Enlightenment had reserved for the classical state and the Newtonian universe...Roads, bridges, and canals were justified by their fostering of “national grandeur and individual convenience,” the two now being inextricably linked. It was not virtue or sociability that held this restless and quarrelsome people together, said architect and economist Samuel Blodgett in 1806; it was commerce, “the most sublime gift of heaven, wherewith to harmonize and enlarge society.” If America were ever to “eclipse the grandeur of European nations,” it could not be in Hamilton’s Old World terms of building a great and powerful nation; it had to be in America’s new Jeffersonian terms: in its capacity to further the material welfare of its ordinary citizens. (Wood 2009, p. 730)

To a significant extent, exaggerated ideals attached to America’s rapidly expanding industry and commerce glossed over serious economic and social divisions, fostering a “popular myth of equality” despite great disparities in wealth (p. 712). Politically, the belief that commerce would “tie nations together peacefully” and make wars obsolete (p. 630) and the belief that “competition among corporations, including literary and scientific bodies, now seemed the best way of promoting the welfare of the whole community” (p. 462) failed to deliver as promised. Moral educators faced a particular challenge in supporting “a new pedagogy based on ambition and competition” rather than “patience and contentment with one’s lot” (p. 326). Early American citizens were troubled by straightforward appeals to “ambition... envy and other harmful passions” (p. 326), yet they believed that the unique environment of the new republic could turn these passions toward a general material progress, economic and social equality, and social cohesion.

This national optimism peaked during the presidency of James Monroe—the “Era of Good Feelings” and apparent national unity on the basis of commercial growth, military strength, and territorial expansion (Unger 2009). Yet the ideal that commerce would “bind the republic together”—exhibited by the “demand almost everywhere for internal improvements—new roads, new canals, new ferries, new bridges”—hid from view the disparity between intensive government infrastructure projects in the northeast and Midwestern states and the lack of such projects in the slave-holding southern states (Wood 2009, pp. 706–707). Even more, the commercial linkage between the plantation production in the South and the banks, merchants, and manufacturers in the North obscured the divergence in economic investments. Northern investments were spread over a larger territory and in highly diverse industries, in smaller amounts; Southern investments were concentrated in a smaller territory and a smaller number of hands, in land and in slaves. “Their farmland was not worth very much” but their amount of capital invested in slaves was large:

In the American South, the total value of slaves ranged between two and a half and three years of the national income, so that the combined value of farmland and slaves exceeded four years of national income. All told, southern slave owners in the New World controlled more wealth than the landlords of old Europe. (Piketty 2014, p. 160)

These formative years of the American economy were assumed to be thriving on the inherited philosophical foundations from the British Isles: a public ethics of self-interest, individual initiative, and private property. The facts were more diverse and less true to the ideals: heavy public investments in commercial infrastructure (in the

North), very large investments in human bondage (in the South), and cruel expansion, displacement, and elimination of indigenous Indian nations. Even so, the philosophical foundations and ideals continued to inform American political and social institutions, shaping the laws and spirit of the land and tying the ethic of self-interest and property to the common welfare and social justice.

### ***4.5.2 Philosophical Foundations for American Business Ethics***

Three ideals were central to American conceptions of good business conduct and results: the linkage between commercial self-interest and political liberty, the natural and sacred right to private property, and just distribution of economic benefits through a competitive market economy. Each of the conceptual claims undergirding the dominant ethic in American business schools requires modification.

*First*, the claim tying individual self-interest in a competitive marketplace to political freedom is not fully consistent with the American experience. Historically, the exercise of political rights and responsibilities did not rest on a principled ideal of individual acquisitiveness but rather on the establishment of farms and businesses, churches and schools, practical associations and political parties. Individual acquisitiveness and ambition played an important role, but without extensive communal cooperation and government infrastructure, ambition would not have succeeded in expanding the common welfare and affirming citizen equality. Business profit as a service only to personal advancement would have been insufficient and perhaps adverse to the progress made. It may be that “classical economics views people as profit maximizers driven by pure selfishness” (primatologist Franz de Waal as quoted in Mangan 2006, p. A15), but in the American marketplace political freedom and general prosperity rested firmly on extensive social cooperation and benefits that were socially distributed.

A *second* philosophical foundation was the natural and sacred right to property, including extension of this right to shareholders as owners. The conceptual claim rests on lawful acquisition (Nozick 1974) or the right to what is drawn by labor from nature (Locke 1690/1980). The American experience was far different: unlawful seizure of Indian lands even when protected by treaty and the recognition of tribal sovereignty, and Europeans’ settlement of land already cleared and farmed by American Indian communities. Even apart from the matter of military conquest—clearly a government function—land was not occupied and improved by individual acquisition alone but through government promotions and regulations which managed the expansion into western lands after the Revolutionary War, established a legal platform for private land ownership, and provided for education, local government, roadways, canals, and the military protection that made settlement sustainable (Brown 1948; Wood 2009). The ideal of private taking of property fueled and guided only by individual acquisitiveness, ambition, and ingenuity hid from the popular imagination the fact that expansion was made possible only by federal and state organization and—of even greater importance—the cooperative

spirit of local communities that made frontier survival possible and a frontier economy profitable. It was the civic value of ownership and the civic purpose of property that was essential to business ethics *in fact*, and only in this civic context could private property in the American competitive market economy become a sustaining element in the civic order. On the ground, the sacred right of property was not absolute.

Indeed, in other ways as well, the social facts of slavery and Indian genocide stand as stark testimony to the hollowness of the ideal linking American prosperity and freedom to natural and sacred property rights. History undoes the rhetoric of pure principles of ownership:

The process justification for property rights often emphasizes property acquisition and transfer by legitimate means such as hard work and skills, but this cannot justify current ownership given the fact that all the land and many of the other assets in North America changed hands at some point in history through conquest, seizure, wars, theft, fraud, and other non-consensual, non-free-market exchanges. And desert based on hard work, skills, and risk taking...overlooks the fact that more than half the hard work that made North America what it is today was done by slaves, indentured workers, women, Native Peoples, and others whose property rights were not recognized. (Bishop 2000, p. 583)

The *third* philosophical foundation for business self-interest rests on the distribution of wealth and opportunity through a competitive market economy. Two aspects of the American experience made this ideal plausible; both gained legitimacy more from political advantage than from philosophical conviction.

The early English colonists, most influentially the Puritans from East Anglia who settled New England and the Quakers in Pennsylvania, arrived in North America with deeply embedded skepticism regarding the benefits of government control (Phillips 1999). Indeed, they were in nearly open rebellion, making it politically expedient for them to emigrate to America and establish self-governing communities. Despite protection from the British government, for the most part they were responsible for their own welfare; they tended to see the colonial governor as an imposition as much as a help. As these early colonists expanded their land-holding and settlements, they lent plausibility to the notion of broad distribution of economic benefits through the exercise of individual self-interest: population grew and wealth grew, from the center toward the periphery. As described above, Jeffersonian notions of broad-based citizen authority linked property ownership and economic opportunity to political voice in ever growing numbers.

In fact, however, American dependence on markets was never a blind faith in economic prosperity and distribution through an “invisible hand” as though it did not require intentional social and government regulation. Adam Smith had employed the image of an invisible hand guiding the economy in two ways, one in regard to producers and another in reference to consumers. Neither were sustained in the American experience.

From the producer perspective, Smith argued in *An Inquiry into the Nature and Causes of the Wealth of Nations* that the baker or butcher could act on self-interest without regard for the common welfare because even though

he intends only his own security...[and] only his own gain, he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention. (Smith 1776/1981, b, IV.ii.10, p. 456)

This description, taken out of the moral context Smith assumed, seems to leave out entirely the significant social control exercised in local pioneer communities and the demands for cooperation required for the survival of all.

In *The Theory of Moral Sentiments*, Smith referred the image of an invisible hand to consumers, who

in spite of their natural selfishness and rapacity, though they mean only their own convenience, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, with knowing it, advance the interest of the society. (Smith 1790/1984, IV.i.10, p. 184)

It is difficult to imagine what social reality Smith had in mind in making this argument, but it reflects his conviction that in consumption as well as production, human commerce would bend toward the happiness of all. What Smith proposed in general terms, Alexis de Tocqueville astutely noted on the ground in early 18th century America: the operation of an ethic of “self-interest rightly understood” through which each person sought his or her own advantage in a way that assisted others and the community at the same time.

I have already shown...by what means the inhabitants of the United States almost always manage to combine their own advantage with that of their fellow citizens...

The Americans...are fond of explaining almost all the actions of their lives by the principle of self-interest rightly understood; they show with complacency how an enlightened regard for themselves constantly prompts them to assist one another and inclines them willingly to sacrifice a portion of their time and property to the welfare of the state. (Tocqueville 1840/1990, Vol.II, Bk.2.VIII, pp. 121, 122)

The historical experience of self-interest rightly understood was intentional in its social orientation, consistent with Adam Smith's moral convictions and not at all a blindly working invisible hand. In everything done by citizens, from barn-raising to church-building, from electing officers and levying taxes, from marketing farm produce to transporting corn whiskey, the entire operation of the private property economy was consciously cooperative as well as competitive. A sense of social benefit was necessary to make the duty of self-interest economically realistic and useful for business, clearly going beyond the Resourceful Evaluative Maximizing Model (Jensen and Meckling 1994) by adding elements of generalized benefit and external accountability. It is precisely generalized benefit and external accountability that make self-interest rightly understood of central importance to business ethics and business ethics education.

### 4.5.3 *Economic Outcomes*

The system of economic coordination and distribution described by Smith and Hayek was an ideal intended to model how the real economy functioned. Other models have been proposed, but this one is critical in discussions of business schools because it stands behind the transaction cost economics that so thoroughly dominates business education. Both theories have normative implications, since they present not only a model for how businesses interact in the marketplace but how business *should* be run and thus how managers *should* behave (Ghoshal and Moran 1996, p. 15).

Given the centrality of this economic model, it is important to at least discuss its relationship to the way the market economy has operated in coordinating and distributing benefits. A comprehensive review of economic outcomes is not possible, but it can at least be said that the modern market economy of the last three centuries has seen repeated periods of economic instability, increasing degradation of our natural environment, and wide disparities in economic benefits. Several studies in the twenty-first century have presented historical evidence that frequent financial crises and growing economic disparities, along with persistent poverty and environmental harms, are not aberrations but ordinary effects or characteristics of modern capitalism (Piketty 2014).

The ordinary features of the market—imperfect or asymmetrical information, imperfect competition, externalities favoring some agents but disadvantaging or harming others—lead inevitably to increasing disparities and poverty (Stiglitz 2012, p. 34). These effects are not distributed evenly, so that some businesses dominate their industries while others fall behind, resulting in the “technical” monopolies cited by Friedman (1962). Both Daniel Fusfeld (2002) and Paul Mattick (2011) affirmed Sismondi’s early nineteenth century analysis that called into question the self-regulating nature of the business cycle. Profits from the production of goods consistently outpace consumer income, resulting in increasing investment in production at the same time that consumer demand decreases (Mattick 2011, p. 30). This combination of overproduction and underconsumption leads to high unemployment, low wages, and business failures (Fusfeld 2002, p. 53), which in turn lead to economic recession or depression. Production and consumption can be sustained for a while through accumulation of debt, but this deepens the crisis by fueling speculative investment by creditors and increasing vulnerability for debtors (Mattick 2011, p. 61). Without government intervention, the economic failures would be much worse (Keynes 1932/2008; Fusfeld 2002).

In addition to these general features of the market, Robert Frank (2014) identified several specific drivers in today’s economy contributing to a “vicious circle of income inequality” in which top earners are (a) shifting consumer demand toward goods “whose value stems from the talents of other top earners...whose talents can’t be duplicated easily,” (b) skewing the political process to their favor, (c) taking full advantage of technology that enables themselves to extend their advantage further, (d) concentrating spending on particular kinds of goods that many consumers

can purchase only on credit; (e) purchasing the best of higher education which accelerates their economic dominance at the same time as reductions in public support for higher education disadvantage lower income students, and (f) passing their current advantage on to succeeding generations through inheritances. Even as worker productivity climbs, wages stagnate (Greenhouse 2013). Thomas Piketty (2014) examined decades of income and tax records to reveal a historical pattern in which growth in capital outpaces growth in the economy, so that those with capital to invest gradually increase their share of total wealth. At the same time, the percentage of the population dependent upon wage income holds a decreasing share of total wealth.

#### **4.6 Conclusion: Liberty, Property, and the Free Market: From Take-and-Hold to Give-Receive-Reciprocate**

The doctrines of natural and sacred rights of property freed possession from social regulation according to right use and embraced social regulation according to equal liberty for all. Fundamentally, this was a shift from a teleological regime of regulation to a procedural one. Yet the social and historical facts of the American experience make it clear that the right use of property cannot occur without a shared commitment to a good society. Social commitment must provide the moral and legal orientation for right use. With the shift from the liberty of the ancients to the liberties of the moderns, this commitment became more tenuous but never disappeared, for without it, the marketplace would cease to function at all.

What is evident in these social facts is the pervasiveness and persistence of the original impulses of human cooperation in communities of exchange. The naturally occurring obligations of the kula and potlatch remain strong in the human psyche, as does the sense of communally shared welfare. These deeply embedded moral emotions became visible to Tocqueville as self-interest rightly understood, despite the pervasive idealism of natural and sacred property rights .

The morality of private enterprise as *take-and-hold* must be replaced by a morality of private yet socially conscious cooperative enterprise in the archaic pattern of *give-and-receive-and-reciprocate*. Every business should be known for the public benefits it provides: the goodness of its products or services, the meaningful work and adequate wages of its employees, and other contributions to the general welfare. These public benefits should be celebrated publicly to reconnect social acclaim for business excellence to reciprocity and social welfare rather than limiting that acclaim to those excelling in the private accumulation of capital. The honor of business leaders for the creation of shared value should be a public ideal and a personal goal as an example of excellence that magnifies the importance of market activity in an economy of provision for all.

Business ethics is rooted in the fundamental social function of business in sustaining human community and human life. To teach business management properly is to teach the ethics of provision and wealth. The originating ethic of human systems of exchange, by which our species survived and thrived, remains the heart of business ethics today: *do ut des*—I give, that you might give.

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# Chapter 5

## Business Strategy as Social Responsibility and as a Matter of Justice

**Abstract** Business ethics education has focused primarily on moral formation of individual leaders and managers in the context of ethical codes, organizational culture, and legal compliance. Important as this approach is, it fails to generate a sufficient level of business responsibility to satisfy legitimate social concerns regarding the use of natural resources, environmental sustainability, reasonable limitation of systemic risk in capital markets, and fair allocation of goods and services.

In this chapter, I describe the ordinary moral hazards of the workplace that call for external accountability in addition to internal moral values and conscience, then review the current approaches to moral education in business ethics and propose adding the pragmatic pursuit of the good. Thirdly, I provide the rationale and direction for this expanded approach to business ethics education: (a) establishing business responsibility for the social good as a matter of justice; (b) distinguishing public accountability on matters of justice from personal moral accountability to one's conscience; and (c) preparing business leaders to engage in public deliberation to determine the legitimacy, priority, and just resolution of social claims.

**Keywords** Business ethics • Moral education • Justice • Public deliberation • Social responsibility • Reciprocity • Moral hazards

### 5.1 Introduction: The Social Purpose of Business as a Matter of Justice

If we expect the marketplace to fulfill its role as a foundation for a free society and a means to the general welfare, we need a new vision for business ethics that is grounded in a fuller understanding of the duties of self-interest, with public accountability for business operations and outcomes as a matter of justice. It is clear from the last three centuries that market economies are not guided by an invisible hand to create or sustain wealth equality, but rather they tend toward increasing disparities in wealth, dignity, and political membership that can threaten the freedom of the marketplace itself (Piketty 2014). Nor can the pursuit of profits without regard for social purposes be corrected by government regulation alone—an imperfect

response which comes most often after damage has been done and is indebted to interests that brought the damage in the first place. Furthermore, the American commitment to the competitive marketplace as the primary means to increase individual wellbeing and build the general welfare encourages working “to reduce greatly the range of issues that must be decided through political means, and thereby to minimize the extent to which government need participate directly in the game” (Friedman 1962, p. 15).

The constitutional framework and political history of the United States clearly indicate that the ordinary functioning of a private property marketplace is expected to meet most social needs for fair opportunity and wealth distribution, as well as provide meaningful work and the means to pursue one’s own conception of a good life. Business schools can make an important contribution to the realization of this market vision of personal meaning and general welfare by incorporating the social purpose of business into their curricula, so that their graduates—the masters of business—can be moral craftsmen in a just and democratic private property economy.

What I am proposing does not necessarily require adding a new ethics course to the curriculum. What it requires is a richer presentation of the duty of self-interest and a broader understanding of business strategy. Business ethics must be pulled out of its isolation from business as business, as though it provides a moral high ground to critique business according to eternal truths. The business ethics needed must be employed as part of business strategy in a “pragmatic pursuit of the good” (Schweigert 2014), to guide operations and purposes toward greater good and meaning. This reorientation requires letting go of a long-established habit of thought that took root when commercial interests first declared their independence of religious authorities, establishing a false opposition between practical and moral affairs.

The reason for dividing conduct into two distinct regions, one of expediency and the other of morality, disappears when the psychology that identifies ordinary deliberation with calculation is disposed of. There is seen to be but one issue involved in all reflection upon conduct: The rectifying of present troubles, the harmonizing of present incompatibilities by projecting a course of action which gathers into itself the meaning of them all. The recognition of the true psychology also reveals to us the nature of the good or satisfaction. Good consists in the meaning that is experienced to belong to an activity when conflict and entanglement of various incompatible impulses and habits terminate in a united orderly release in action. (Dewey 1922/2008, p. 139)

A marketplace ethic capable of supporting the social welfare must be both intentional and accountable. The *intention* is a matter of business strategy that incorporates public purpose as an ordinary part of business, similar to the conception of shared value promoted by Porter and Kramer (2011) that takes into account the impact on the civic order in whatever ways may be relevant: resource acquisition and use, employee health, worker safety, employee skills and pay, supplier access, pollution (air, water, noise, debris, etc.), infrastructure use, land use, and the good delivered in products or services. *Accountability* applies throughout the process, beginning in the planning stages with clear goals and conditions, extending through implementation with active monitoring, and concluding with periodic evaluation of intended and unintended outcomes. This entails a process of public deliberation

(Brown 2010; Schweigert 2016) through which the duty of self-interest rightly understood is held accountable to the civic order as a matter of justice. The point of accountability for business would not be limited to satisfaction of stakeholder interests but rather to justification of stakeholder claims. In this, the aim is moral accountability as a matter of justice, rather than stakeholder-interest accountability as a matter of negotiation.

In order to have normative legitimacy, statements of justice must be able to pass the test of critical reflection and public deliberation; they must be based on intersubjectively justifiable standards of justice derived from a nonmetaphysical, universal moral principle. (Wettstein 2009, p. 29)

Agreement on moral solutions to public problems in a pluralistic society must be provisional and always open to reconsideration; this is the best that justice can do (Hampshire 2000). The fact of moral pluralism makes justice a matter of conflict with no ultimate grounds available in the public arena—although there can be a social consensus that goes beyond a mere *modus vivendi* to real agreement on just arrangements, at least for a time (Forst 2007/2012, p. 81; Rawls 1996). When the justice of claims is disputed and reasonable parties disagree,

... what is fundamental for the concept of justice is not a particular interpretation of values like freedom or equality, but a principle of *justification*: every institution that claims to rest on generally and reciprocally valid principles of justice must “earn” this validity generally and reciprocally, in the discourse among citizens themselves. The foundation underlying all principles of justice, therefore, is the basic principle of discursive justification...

Principles and norms can claim to be valid only if they can be agreed to *reciprocally* (without demanding more from others than one is also willing to concede, and without projecting one’s own interests and convictions on others) and *generally* (without excluding anyone concerned and their needs and interests), that is, those principles and norms that... no one can “reasonably” reject. (Forst 2007/2012, p. 80; emphasis in original)

Given the need to justify claims and solutions in an ethic of self-interest rightly understood, business education would have to include an orientation to deliberative processes as well as a clear understanding of the social purpose of business. MBA graduates should at least be able to recognize and articulate a fair process for deliberation and know what to expect from it, especially where the social risk or cost is high or trust is low. A fitting metaphor for this orientation may be Lederach’s (2005) image of a platform that can express both stability and adaptability. As a duty of business, self-interest rightly understood would mean taking a stance that is grounded in the social purpose of business and prepared to be flexible and accountable in how that purpose can be realized.

## 5.2 The Ordinary Pressures of Business Operations<sup>1</sup>

Business ethics education has focused primarily on the moral formation of individual leaders and managers in the context of legal compliance, ethical codes, and organizational culture. As valuable as this approach is, it does not generate a sufficient level of business responsibility to satisfy legitimate social concerns regarding the use of natural resources, environmental sustainability, reasonable limitation of systemic risk in capital markets, and fair allocation of goods and services (Alsop 2007; Holland 2009; Friedland 2009). Business educators have accepted some responsibility for this failure due to their emphasis on short-term gain and maximum shareholder profit (Quelch 2005; Mangan 2006). However, the shortcomings in business social responsibility arise from more fundamental and ordinary pressures of business operations: uncertainty, liability, ambition, and loyalty.

The *uncertainty* in business operations and outcomes increases pressure to pursue short-term gain over long-term benefits. There is always a degree of uncertainty within organizations “arising from discretionary behaviors of individuals,” while changes and complexities in technology and markets generate continual uncertainties for business strategy (Ghoshal and Moran 1996, p. 29). Uncertainties can be reduced to some extent through measurement and accountability, but there are clear limits and they cannot be completely eliminated in any case (Bemelmans-Videc et al. 2007). Although investments in socially conscious labor practices and environmentally sensitive resource acquisition and use may pay off in the long run (Porter and Kramer 2011), businesses face the immediate pressure for success in the short term. As John Maynard Keynes pointed out, short term success has always occupied managers’ attention, even for “private business of the old-fashioned type” when owners had to live with the effects of business decisions in their local communities over the long term. With public ownership, this became more so:

With the separation between ownership and management which prevails today and the development of organized investment markets, a new factor of great importance has entered in, which sometimes facilitates investment but sometimes adds greatly to the instability of the system... [T]he Stock Exchange revalues many investments every day and the revaluations give a frequent opportunity to the individual (though not to the community as a whole) to revise his commitments. It is as though a farmer, having tapped his barometer after breakfast, could decide to remove his capital from the farming business between 10 and 11 in the morning and reconsider whether he should return to it later in the week (Keynes 1932/2008, p. 99).

In an economy like ours with so much wealth invested in continually and rapidly changing financial instruments, the familiar uncertainties in future resource, labor, and market conditions are compounded by uncertainties in ownership and investor confidence. As Keynes noted, communities are stuck with the long-term social

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<sup>1</sup>This section is adapted from this author’s essay, “Social Responsibility as a Matter of Justice: A Proposal to Expand Business Ethics Education,” in M. C. Coutinho de Arruda and R. Rok (Eds.), *Understanding Ethics and Responsibilities in a Globalizing World*, pp. 229–246 (Cham: Springer International Publishing, 2016).

consequences of volatile markets and business successes or failures, yet managers must succeed day by day and quarter by quarter.

The distinction between functional and substantive rationality highlights the challenge that market uncertainty poses to managers. Citing Weber and Mannheim, Robert Jackall defined *functional rationality* as “activity consciously planned and calculated to attain some goal” (2010, p. 80). The delineation of bureaucrat structures and the division of labor according to expertise and function employ functional rationality to manage employment, establish decision-making authority, and design business processes and facilities. The conceptual tools taught in business schools, such as cost/benefit analysis and risk/benefit analysis, are aids to functional rationality that prepare managers to handle the operational decisions they face every day.

The most difficult decisions, however, involve risks, costs, and market dynamics beyond the reach of such calculations. Such decisions invoke *substantive rationality*, “a critical reasoned reflectiveness with which one assesses and evaluates particular goals themselves and which guides one’s decision” (Jackall 2010, p. 80). Conceptual tools still play an important role, but more as a matter of style than calculation: showing a positive attitude, adapting to social expectations, and above all, making “other managers feel *comfortable*, the crucial virtue in an uncertain world” (Jackall 2010, p. 60; emphasis in original).

*Liability* for harms increases pressure to minimize exposure at both a personal and business level to the extent legally allowable. Businesses limit their exposure internally through risk assessment, risk mitigation, and control systems in the context of external regulation, taxation, and litigation. It is important to note, of course, that liability—like uncertainty—must be managed by each employee and owner as well as for the business as a whole. Where risks are unavoidable, managers or owners may find it personally advantageous to delay decision making, even if it increases risk or cost for the business in the future; one can escape the risk for today and hope the costs of that escape will land on someone else (Jackall 2010, p. 95). It can also be advantageous to push the details of difficult decisions down to mid-level managers, so that if something goes wrong the blame can be assigned to them (p. 21).

It is not surprising the managers are cautious about embracing personal or business responsibility for social effects of business operations. Not only are the potential costs unpredictable, they are also subject to shifting political winds. Even so, to accept responsibility on the basis of generous social concern is not the same thing as being blamed for the harmful effects when they occur. Managers who accept responsibility can still escape blame by expressing shared concern, by wishing for better technologies, and by citing a lack of full information. Jennifer Jacquet (2015) cited several strategies pursued by corporations to reduce the risk of public shame: spying on those who might have reason to expose damaging evidence, supporting legislation to limit corporate disclosures, masking their involvement in risky projects, working as part of a group so that blame can be diluted among several players, and diverting attention to other companies or to highly commendable projects that offset a negative public image.

*Ambition* for social advancement and wealth is the natural passion of capitalism, which Adam Smith saw as the individual motivation leading ultimately to mutual benefit in his example of the butcher, the brewer, or the baker (1776/1981, pp. 26–27). As R. H. Tawney observed, however, ambition has no clear point of satisfaction. The desire for more can be rekindled after every achievement, and its positive social function decreases without a sense of mutual dependency.

The acquisition of wealth ... concentrates attention upon the right of those who possess or can acquire power to make the fullest use of it for their own self-advancement. By fixing men's minds, not upon the discharge of social obligations, which restricts their energy, because it defines the goal to which it should be directed, but upon the exercise of the right to pursue their own self-interest, it offers unlimited scope for the acquisition of riches, and therefore gives free play to one the most powerful of human instincts (1920, pp. 29–30).

The free play of ambition has this in common with the discipline of finance, that both are goal-free: “Finance does not embody a goal,” according to Robert Shiller, but instead is “the architecture for reaching a goal” (2012, p. 7). Ambition supplies the energy to pursue whatever personal or commercial goals may be chosen. The manager's ambition for personal advancement thus matches the owner's ambition for maximizing profits: both give a strong sense of purpose and can earn rich social admiration—even envy—without ever evaluating the social effects of the business. Both managers and owners can take comfort in the erroneous belief that the working of the market will be “corrected almost automatically by the mechanical play of economic forces” (Tawney 1920, p. 31). Moral restraint would then be unnecessary.

*Loyalty* to the team is as necessary for business success as it is for personal belonging and advancement. It draws upon the natural human instinct to earn the honor of one's social group, whatever it is. Humans evolved in groups that depended for survival on in-group identity, belonging, assistance, and accountability. Loyalty evolved as a deeply embedded moral instinct, a desire and duty shaping our identity, sense of purpose, and understanding of right and wrong (Naroll 1983; Oberlechner 2007). Whenever a person joins a new group, he or she feels the anxiety of possible rejection, abandonment, or marginalization—which triggers intense alertness to who is in charge, what the social rules are, where and how one can fit in, and ultimately what the social expectations are and how they can be met. Awareness of this “attention structure” (Lancaster 1975) of who most deserves attention, and for what means and ends, is the first step in working one's way the marginal existence of the neophyte to the affirming recognition as a member of the group. This awareness launches the natural progression from the periphery to the center that has been called a process of “legitimate peripheral participation” (Lave and Wenger 1991): the gradual legitimation of new participants in a movement from the social periphery to full social membership. The same evolutionary equipment kicks into high gear when new managers join the leadership team, as they seek a way to move from the periphery of possible rejection or worthlessness to the center with belonging and a sense of confidence in what they can contribute. It is a process that combines learning the language and skills of the business with incorporating the operative morals of the team, as the novice builds a new identity as a manager through cooperation and loyalty. Professional identity is an on-going process with “a



historical and contingent character, unfolding through the creation of value in action, in relation with other selves in the setting” (Lave 1988, p. 181). The most pressing moral challenge for new managers is to learn and demonstrate the values of the group and prove themselves worthy of the trust of the team.

At bottom, all of the social contexts of the managerial world seek to discover if one “can feel comfortable” with another manager, if he is someone who “can be trusted,” if he is “our kind of guy,” or, in short, if he is “one of the gang.” The notion of gang, in fact, insofar as it suggests the importance of leadership, hierarchy, and probationary mechanisms in a bounded but somewhat amorphous group, may more accurately describe relationships in the corporation than the more genteel, and therefore preferable, word “circle.” In any event, just as managers must continually please their boss, their boss’s boss, their patrons, their president, and their CEO, so must they prove themselves again and again to each other. Work becomes an endless round of what might be called probationary crucibles. (Jackall 2010, p. 43)

Whatever may be the formal code of conduct in the company, the operative moral code is to be a good team player: stay versatile and flexible, especially not insisting on one’s own strong moral views. The path to social success is well worn: work long hours without complaint, don’t stand out by expressing your views unless you can do it while giving credit to others and to the company, subordinate your values and beliefs to those of the company, avoid being seen as a threat by others, and stay upbeat and positive (Jackall 2010, pp. 54–59).

Uncertainty, liability, ambition, and loyalty are inherent moral pressures in any workplace. Businesses draw upon the energy surrounding these pressures for their success, and at the same time they must manage them to limit their ill effects. Business ethics must reckon with the power of these ordinary social forces, which requires not only the exercise of moral restraint within the business but also ethical accountability to judgment outside the business.

### 5.3 The Pragmatic Pursuit of the Good

If business schools want to prepare students for real-life challenges of moral compromise, confusion, and conflict, an educational approach is needed that combines a strong sense of external moral accountability with skills in critical thinking and ethical deliberation, an approach I am calling the *pragmatic pursuit of the good*. This pragmatic approach would prepare students to transcend their local moral community by going beyond “customary morality” to engage in a “reflective morality” (Dewey 1908/1980, pp. 3–7), in which conflicts about the good and the right are viewed in a larger context of “remaking the social environment: economic, political, international” (p. 118). Reflective morality explicitly requires that one “not accept the standards of his group without reflection” (p. xxvii). Dewey pointed to Socrates and the Hebrew prophets as pioneers in this effort, standing apart from their communities in order to challenge their accepted mores and attempting to resolve questions of conduct in terms of universal principles (p. 3).

Reflective morality, as outlined by John Dewey, does not accept the *individual conscience* as the last word on personal integrity. Conscience is formed by upbringing-

ing in a particular moral community and shaped by social acceptance and performance within particular social circles—families and communities, certainly, but also a business organization or a religious congregation. In reflective morality, the moral ground shifts from customary accepted knowledge—one’s “gut feeling” or “moral intensity”—to rational examination and evaluation. Specifically, the choice of what is good and right should be subject to question and capable of rational explanation (cf. Boatright 2012, p. 38; Frankena 1963, p. 91). This makes ethics a *shared enterprise*: searching out the right course of action, not through introspection alone but through investigation of the facts of the situation.

According to Dewey, “the genuine heart of reasonableness (and of goodness in conduct) lies in effective mastery of the conditions which *now* enter into action” (Dewey 1922/2008, p. 37; parentheses and emphasis in the original). To put this in business terms, moral decision-making is the attempt to achieve the *good in view* in the actual conditions faced by the manager, amidst a diversity of moral perceptions and values.

From the standpoint of the individual, it consists in having a responsible share according to the capacity in forming and directing the activities of the groups to which one belongs and in participating according to need in the values which the groups sustain. From the standpoint of the groups, it demands liberation of the potentialities of members of a group in harmony with the interests and goods which are common. Since every individual is a member of many groups, this specification cannot be fulfilled except when different groups interact flexibly and fully in connection with other groups (Dewey 1927, p. 147).

The pragmatic pursuit of the good engages the moral community of the workplace in all its variety and in the midst of multiple pressures in building a better world (Dewey 1908/1980, 1909/1975, 1927; Zigler 1998).

In this approach, the role of individual conscience appears as moral sensitivity but does not lead directly to moral judgment. Rather, it opens the person to ethical evaluation of the actual conditions and then to judgment and action: the aim of morality is acting well, not merely meaning well (Dewey 1916, pp. 348–350). Dewey called attention to the need to cultivate “a prompt and almost instinctive sensitiveness to conditions, to the ends and interests of others, [without which] the intellectual side of judgment will not have proper material to work upon” (1909/1975, p. 52). Moral education should nurture “a delicate personal responsiveness” along with good judgment oriented to a good not merely for the individual, the management team, or their business organization, but good also in some larger social or even universal sense. This inquiry can be pursued from the perspective of the decision-makers within the organization or from the perspective of the public or the community that would be affected by the action of the business organization. The process was described by Aristotle (1962) as an exercise in practical wisdom or *phronesis* (*Nicomachean Ethics*, Book VI, 1142a), and the aim was defined as justice: the good for oneself and others and the community as a whole (*Nicomachean Ethics*, Book V, 1129b–1130a).

Education in the pragmatic approach to business ethics would give managers an important tool to lead a process of shared practical reasoning, a reflection on morals that would place moral choices in the workplace in a larger arena of inquiry. This

would make it possible to address questions of business ethics in terms of what good can be achieved for the business and its stakeholders, including the larger community or the public. Pragmatic moral education explicitly positions the business organization as an institutional member of society with the benefits and duties this entails, subject to the claims of justice.

The pragmatic pursuit of the good incorporates the existing approaches to moral education, identified above as cognitive-developmental, values clarification, and character education. The practice of reflective morality adopts the cognitive-developmental agenda of fostering moral reasoning at the level of universal principles, from which one can evaluate one's action from outside conventional and pre-conventional frameworks. Reflective morality also incorporates the values clarification agenda of critical morality by inviting different perspectives and rationales in attempting to articulate the good to be achieved, both within and outside the organization. Character education is incorporated through shared reflection and the nurture of emotional sensitivity in the moral community of the workplace, including mutual accountability for doing the good that is possible and decided upon. Moral integrity and courage are still required, but in more varied ways: opening or convening a process of reflection on what action is right and good to take, making sure varied perspectives are heard, explicitly including the good of the public or surrounding community, being open to the challenge of new information and perspectives, and—in conclusion—being willing to act for the good that has been clarified.

## 5.4 Objections to a Social Purpose for Business

There are three kinds of objections to naming a clear social purpose for business: economic, property, and legislative. These objections highlight common assumptions about the operations and purpose of business that deserve to be reexamined and reevaluated.

The *economic* objection is that the competitive marketplace already has a clear social purpose without any explicit intention being given to this purpose by those who participate in the market. In this view, the social purpose of business is achieved by virtue of the coordination of supply and demand through the price mechanism. Central to this assumption is the belief that markets operate most efficiently when guided and governed only by a rational pursuit of self-interest, so that attempting to serve a social purpose in addition to a profit purpose would impose a non-market luxury or penalty and would reduce the social benefit of marketplace activity. It would also place an impossible burden on producers, buyers, and sellers to determine the social purpose of their transactions. How, indeed, can they be expected to have access to the information needed to determine the social purpose served in each transaction and to assess how well various options might serve that purpose?

This objection can be countered by three observations. First, all participants in the marketplace assume that price carries with it the sum of information in the mar-

ket regarding supply, demand, and value. A similar kind of assumption would have to suffice regarding social purpose based on the utility of the service or product, compliance with law and regulation, and avoidance of social harms closely associated with this service or product. This would involve some effort, but it should not be more burdensome than determining the price.

Second, there is already a background assumption that certain moral conditions are being met in order for markets to be efficient. On the level of society in general, the set of primary goods listed by John Rawls (1996, p. 181) and applicable to all social institutions would thus apply to the marketplace as well: a list of basic rights and liberties, freedom of movement, free choice of occupation, powers and prerogatives of offices, income and wealth, and self-respect. In addition to these primary goods, a set of moral conditions can be listed specifically for a competitive marketplace, such as those identified by Walter Schultz (2001, pp. 100–104): a right to ownership of property; a right to true information; a right to welfare, at least for subsistence; a right to autonomy allowing purposive action; and a right to liberty as the freedom to participate in the market.

The inclusion of a right to welfare in this list may deserve some further discussion. In positing these rights, Schultz was attempting to identify only the minimum necessary conditions for efficiency. He argued that if a market that did not provide for basic needs across the population, people would cease to engage in market behavior, that is, they would cheat or steal to get what they needed to survive. As a matter of social efficiency, participants in the marketplace could expect the cost of sustaining the needy to be less than the cost of defense or loss due to fraud or theft. He also argued that victims of accidents who would be disabled from participation in markets would want to be assured of subsistence, and social efficiency would justify reducing the anxiety about this condition, which could happen to anyone. Therefore, to be most efficient, business leaders must recognize and facilitate the satisfaction of these moral conditions.

Third, and most important, is the observation that marketplace competition, in itself, creates incentives for social benefit. Products and services that truly provide some good have a competitive advantage, which is enhanced if these products and services are good not only for the purchaser but for surrounding beneficiaries. Part of the attraction in purchasing a fuel-efficient car is the social approval of friends and neighbors, and large businesses can make their presence more attractive by environmentally sustainable construction and operations. Businesses that treat their employees well have an advantage in hiring and retaining good workers. By the same token, business operations and products that undercut quality for purchasers, violate employee rights, or damage the environment increase their risk of costly penalties or a loss of market share. Examples such as these are abundant in business ethics literature to illustrate the belief that good business ethics makes good business sense.

The *property* objection to an explicit social purpose for business is that the primary purpose of the organization is to maximize profits by the use of one's property and labor, so that the profits earned belong to the owner without counterclaims by society at large. But it is also true that businesses operate in a social context, and their profitability depends in many ways upon the existence of public goods, the

exercise of public reason, and the satisfaction of the demands of justice. Even if a particular business can operate to a certain extent while ignoring this social context, society's interests are clearly intertwined with each owner's property no matter how sacred private property is held to be. The rule of law, public investments in education, publicly funded infrastructure such as roads and waterways, and a host of other social institutions make profitable business activity possible. More to the point, however, each private business participates in creating and maintaining the society that is the context for other businesses. Every business that operates in a manner detrimental to a stable and prosperous social context reduces the opportunities for other businesses to operate profitably. For example, a poorly managed manure lagoon for a large hog operation can turn public opinion against additional livestock operations and even prompt local or state regulators to seek more restrictive rules of operation. It is therefore the case that every private business is at the same time a social actor with certain social responsibilities. To name the social purpose of business merely makes clear and explicit what is already the case.

The *legislative* objection to an intentional social purpose for business rests on the assumption that in the public arena interpretations of justice are the purview of legislative bodies, with further interpretation for implementation by the executive branch of government and resolution of conflicting interpretations by judicial branch review. According to this view, public administrators carry out the directives given them, while businesses and civil society leaders work within the bounds of justice as defined by government. To venture into matters of justice would be inappropriate for businesses, which are not subject to electoral review and thus have no standing in making public interpretations of justice.

Yet the demands of social welfare and fairness can never be fully defined in law and regulations. Statutes are necessarily general in nature, so that operating in accord with the rules requires continual interpretation and application to specific situations. Some sense of justice must be employed to decide, situation by situation, how to apply the law or follow the regulations. Nor can the aims of justice be met through compliance with the law and regulations alone: simply to comply with the minimum demands of the law would divert attention from purposes of the law and the demands of justice and encourage behaviors continually skirting the edge of intent of rules or living by an assessment of the likelihood of enforcement actions. The administration of laws and regulations requires interpretation at all levels, both in business and government, so that no one is in a position of merely implementing directives. Attention to the demands of justice merely names the responsibility already being exercised in interpreting and complying with laws and regulations.

Business owners and managers are also citizens, and at times they have to think as citizens even to advance their business interests. A clear case in point is lobbying for favorable legislation or participating in the rule-writing process after a law is passed. Just as it would be unjust to exclude business leaders from these citizen activities, it would be unjust for them to engage in these citizen activities with no reference to the social welfare. To put this same point in a slightly different way, if business owners influence public policy by virtue of their citizenship, they cannot then rightly act in a way that renounces the responsibilities of citizenship.

Business leaders do not operate in a democracy with merely passive compliance to laws; they also shape these laws in the manner in which they comply and in their advocacy for favorable laws and regulations. To name a social purpose for business merely makes explicit the legislative role businesses already have in a democracy. A clearly understood social purpose encourages business leaders to think as both citizens and owners, with attention to the public good as well as organizational good, and this attention to justice is an essential part of democracy. The effective administration of both government and business depends upon linking results to ethical accountability, which in the long term fosters greater efficiencies and effectiveness, even if this is not true in the short term. Consistently placing priority on ethical accountability in government, business, and civil society will most effectively decrease the pressure of moral hazards and increase the influence of public ethics, which in turn increase social trust and reduce transaction costs.

Care for the commons has historically been one of the most powerful instances of public ethics as a matter of justice. It has earned the full force of moral authority embodied in public leadership and in the practices of the society—economically, religiously, politically, and civilly. In managing public affairs, accountability must be exercised in accord with the level of visibility of operations (Gregory 1995), depending on observation where operations and results are highly visible and depending on professionalism where visibility is low. Respect for the appropriate role of each sector must be guided by the principle of subsidiarity, with preference given to action and responsibility at the lowest societal level but always with normative support from higher levels (Schweigert 2002).

## 5.5 Market Dynamics for a Just Economy

The institutional divisions of modern society obscure the market-based foundations for business ethics. Production and exchange of goods is attributed to the private sector for private gain, while responsibility for sustainability and the general welfare is relegated to government. By implication, each individual is therefore also divided, participating in business for private ends and participating in civil society and governance as a citizen for public ends. The fact that the market must serve public ends is hidden from view.

Archaic systems of exchange united social participation and accountability in reciprocal exchanges, with the market energized, coordinated, and regulated by honor and motivations of competence, self-expression, and pursuit of excellence. Since good social standing was essential to membership, and membership was essential to survival, this coordination was highly effective. In the long run of human history, the competitive private property market regulated by honor served individual interests in wealth and built increasing wealth and welfare for the whole community, through a system of exchange governed by giving, receiving, and reciprocating. The foundations of market-based business ethics evident in these

ancient systems of exchange continue to resonate within and among us; they are part of the social nature of our species.

First, all human persons and communities share a fundamental *understanding of substantive fairness or social justice* with three interlocking principles of distribution: (a) equal shares in meeting basic human needs, propelled by a desire for equal treatment in each person; (b) equitable distribution of surpluses in accord with some definition of merit; and (c) a sense of reciprocity that attaches to distributions a desire and obligation to give back or pass on benefits (Corning 2011). Evidence of this universal sense of justice is available from studies of nonhuman primates, cross-cultural surveys of moral traits, behavioral genetics, brain science, evolutionary psychology, and behavioral economics (Corning 2011, pp. 67–82). Corning called this a “biosocial contract” of rights and duties, “a normative theory...built on an empirical foundation” (2011, p. 153) of survival through cooperation and reciprocity. Each person has an inborn sense of justice which can be called upon to guide individual action toward the common good. At the same time, external expectations are crucial, because morals by their nature are strengthened internally when they are expected externally. To the extent that society holds up the values of equality, equity, and reciprocity (Corning 2011), they will resonate in the hearts of all.

Second, the *market is a complex adaptive system* within the larger human complex adaptive system, within the even larger adaptive ecosystem (Beinhocker 2006). All living species can be seen as adaptations that bring elements of universe into some kind of more or less stable order—elements which otherwise move in random and scattered ways. In this view, evolution is a process of continual experimentation to hit upon adaptations that help stabilize the order in a continually changing environment. Human survival is thus an ongoing experiment carried on through deductive and inductive adaptations toward ever greater fit with the natural environment. Within this dynamic context, human systems of exchange function as experiments within the larger evolutionary experiment: patterns of interaction to create local order that slows down the deterioration effects of entropy and increases more stable and life-supporting arrangements. Human markets are a species enterprise, in the same way that a pride of lions or pack of wolves is a species enterprise: a cooperative order that enhances the species’ success in adapting to a continually changing environment.

Human markets have always been constituted by physical and social technologies—from clay pots to catch and store oil to market squares and bazaars to increase opportunities for exchange. New technologies are continually being introduced, such as robotics or pharmaceuticals on the physical side and new organizational structures on the social side—employed in creative individual, structural, and cultural adaptations (Beinhocker 2006, p. 350). Wealth, in this view, is “a form of anti-entropy,” a pattern of “fit order” that is socially created and continues as a replication strategy embedded in the society (pp. 316–317). Wealth has value only as long as it captures or enhances fit with the environment; it is more than social convention, although social convention can function as a substitute for the longer range pressure of species adaptation. Wealth and markets are constitutive of human com-

munity in a system of exchange that continually adapts human life to the larger ecosystem of our planet.

Third, *wealth is emergent and communal value* that “furthers the growth of the self and community” (Buchholz 2009, p. 91). To assess wealth in terms of money only or as merely “private capital accumulation” obscures the substantive value of goods and services that enhance livability and ignores the fundamental interdependencies between private and public goods, the diffusion of knowledge and technology, and social integration (Piketty 2014). The economy functions as a system of collective resource allocation organizing private goods, legal goods, and public goods for the greatest personal and collective benefit. Wealth is the creation of value for all stakeholders because economic activity is ultimately a cooperative enterprise (Freeman et al. 2010). The shared value approach of Michael Porter and Mark Kramer (2011) can be seen as an attempt to recover this sense of shared stake in business strategy.

Fourth, *the honor of wealth creation* is much more profound than recognition of the accumulation of private wealth or envy of conspicuous consumption. Outstanding contributors to wealth creation are rightfully honored for advancing the public welfare as the true end of economic activity. Cooperation is so fundamentally necessary for the survival of group species such as humans that we have evolved with an innate social sensitivity to honor and shame, sufficiently powerful to motivate individuals to bend their economic efforts toward shared and just ends. As much today as in archaic and ancient systems of exchange in the past, this deep and complex cluster of instincts and social controls regulates communal affirmation and membership in good standing. Belonging and mutual esteem are felt as acutely as matters of life and death, even in our own times: ask anyone who has been uninvited from an important business meeting, excluded from community gatherings, or marginalized by racial bias or gender privilege. Banishment is crushing, and the fear of banishment is reflected in deep commitments to loyalty and intense competition for status recognition. Economic competition, as Frank Knight recognized, “has come to consist chiefly in keeping up with or getting ahead of other people in a rivalry for things about whose significance...little question is asked” (Knight 1923/2004, p. 39; quoted in Brown 2010, p. 97). But this must change: the significance of economic honor should be clear in connection to shared value and the common welfare, rather than reduced to the competitive sport of individual accumulation. This fundamental instinct and drive—embedded in archaic systems of exchange in the dynamics of giving, receiving, and reciprocating—has always motivated individuals to compete and excel in a distributive economy directed to communal well-being. Honor magnifies the innate drive for competence, the joy of creative self-expression, and the pursuit of excellence present in every human being (White 1959) and can align the hearts of business leaders with the clear community interest in an economy of provision for all.

Fifth, *civic evaluation* is essential for the judgments of cooperative wealth creation, which have never been left entirely to informal social controls but always have been subject to in some formal consideration. Every village has its council, where rewards and disputes are reviewed in the light of public scrutiny. It is in public deliberations that market activity can be evaluated within the larger human project to provide, protect, and create purpose (Brown 2010, p. 46). Whether such



deliberations occur in government or civil society, they are essential to define and express public expectations and the public good—and ultimately to direct economic activity toward provision for all through a combination of incentives, regulations, and citizen education (Brown 2010, p. 174).

## 5.6 Conclusion: From Moral Hazards to Moral Leadership

The current aims of business ethics education—to strengthen virtue, increase moral sensitivity, clarify values, promote moral reasoning, and foster moral leadership—are important but insufficient. Business leaders must be prepared to recognize the ordinary moral hazards of the workplace and reason together within that context to meet public expectations of business responsibility for the social good. The additions to business ethics education proposed here would cultivate skill in the pragmatic pursuit of the good as a practical way to exercise business responsibility for the social good as a matter of justice.

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# Chapter 6

## Moral Learning as Moral Practice

**Abstract** The dynamics of moral learning dictate the path moral education should follow. In this chapter, the central features of moral learning are described in the context of the moral community and the practices which constitute that community. Knowledge of the good and right is carried in moral traditions from generation to generation, even as they change to adapt to new circumstances and new members. This local moral formation continues in today's global economy, which is characterized by a plurality of local moral communities with potentially conflicting values and norms for business operations and outcomes. Due to the incompatibility of comprehensive moral norms, participants in the world of commerce must learn to carry their moral commitments into the public arena and express their values under the standards of public reason. As a consequence, what we are accustomed to call business ethics must become a combination of formation in morals and education in ethical leadership.

**Keywords** Moral tradition • Moral learning • Public ethics • Moral practice • Public deliberation

### 6.1 Introduction: The Limits and Possibilities of Education

Moral formation is the cultivation of the moral habits, loyalties, values, and commitments needed for moral practice in family, community, and society. In contrast, ethics education introduces critical rational reflection on morals in order to address public accountability to justice in a society comprised of multiple moral communities. Given the social nature of human beings, moral practice is always socially bounded, not only by the other members of the society but by the moral tradition carried by that society. Moral tradition is a crucial part of the cultural wealth of a society, developed over time to help the society survive with sufficient harmony and justice so as to make social life livable. Each member of the society learns—from the moment of earliest social awareness and throughout life—to take in and live out that moral tradition in the moral practices that constitute it.

Morality is inherently practical: it is impossible to succeed in teaching a morality that does not increase adaptation and enhance livability and social standing for the society in which one is living. This social fact should be a caution for moral reformers who believe that they can change society by teaching a new morality. All children have to learn the morality that will make them successful participants and adult members of the society in which they live. This was a key observation of Margaret Mead after completing her ethnographic research among the Manus in New Guinea.

When we look about us among different civilizations and observe the vastly different styles of life to which the individual has been made to conform, to the development of which he has been made to contribute, we take new hope for humanity and its potentialities. But these potentialities are passive not active, helpless without a cultural milieu in which to grow. So Manus children are given opportunity to develop generous social feeling; they are given a chance to exercise it in their play world. But these generous communistic sentiments cannot maintain themselves in the adult world which sets the price of survival at an individualistic selfish acquisitiveness. (Mead 1975, pp. 271–272)

I recall a meeting of youth leaders in St. Paul, Minnesota called together by police to address the problem of gang activity. In the course of the meeting, a Hmong leader pointed out the difficulty in rearing Hmong children in Minnesota's individualistic culture. As much as we try to hold on to our communal traditions and obedience to the elders, he said, our young people are living a life different from ours; they do not need our traditions so much. And, he concluded, we cannot tie them to our traditions which do not work in America.

At the same time, societies change and thus their moral traditions change. The large influx of Hmong people in Minnesota changed the culture of St. Paul and Minneapolis, just as the large influx of Norwegians and Germans had one hundred years earlier and the influx of Somali and other Africans did 20 years later. New technologies also change the culture, which has been clearly evident in the effects of the automobile at the beginning of the twentieth century and the mobile phone at the end of the same century. The critical question for educators is: To what extent can education change the culture? How powerful is education as a lever for social reform?

According to David Labaree (2010), education is less powerful in shaping culture than one might think, given the great deal of political attention and social investment directed to it. Labaree pointed to the four-level structure of schooling that works against its effectiveness as an agent of change: rhetoric, school structures, teaching, and learning (pp. 110–111).

It is helpful to review the history of American business schools in light of Labaree's four distinctions. At the level of *rhetoric*, university leaders in the last decades of the nineteenth century and early decades of the twentieth century were very clear that the mission of business schools was to cultivate socially conscious leaders and managers with a professional moral commitment to the public good. As this vision was translated into the *formal structures* of universities, it lost some of its clarity and power as it was adapted to existing curricula, subjected to the judgments of influential donors, implemented with varying effectiveness by deans and university presidents, and incorporated into the historical missions of the schools.

Crucial decisions had to be made in deciding which departments or colleges were responsible for business education and who would be recruited to teach it. The reform then had to be integrated into the *teaching practice* in these departments and classrooms, where it faced two critical tests: first, instructors had to find materials to supply the course content, and second, they had to engage students effectively with this content. This is where reform efforts face the crucial test every teacher knows so well: establishing the affective and meaningful connection with students that is necessary to make the classroom a learning environment. Every class and every day, each teacher tests her or his professional persona, presentation style, and discussion techniques in the crucible of student interest. Adaptations at the level of teaching practice thus intersect directly with Labaree's fourth level of educational structure:

Last of all is the level of *student learning*. Even if a particular reform effort improbably manages to shape the rhetoric of schooling, alter the structure of some school districts, and penetrate the practice of teachers in some classrooms, it still needs to transform the learning that students take away from their classroom experience... The key actors here are the students, and they present a final barrier to reform that may be the most formidable... (Labaree 2010, p. 111)

As a case in point, from the beginning and still today, students enroll in business schools to enhance their opportunities for employment, career advancement, and income. Thus, their eyes are firmly fixed on what will be expected of them by future employers. If these employers are not interested in hiring social reformers, then most students cannot afford to make that their focus.

In regard to educational effects on the moral practice of business, then, it is critically important to assess the moral norms that actually govern business activity and are affirmed by successful managers. The founders of university business schools believed—or, at least, declared—that they would educate their students to fulfill the social responsibilities of a management as a profession oriented to the public good. In fact, their students strove to succeed in the business world where they hoped to work. In short order, business schools themselves conformed to these same realities. To the extent they taught what surrounding businesses valued in graduates they hired, students were eager to learn it. Success as it is lived and honored in the marketplace has moral force in shaping the moral attitudes of business leaders and business students, and students entering the management field aspire to excel in the norms and practices that are modeled by those managers considered the most successful.

Society shapes the individuals who constitute the society. Individuals receive morality from the tradition as a central part of what each person must learn in order to succeed in that society. Morality is “not just a discovery or invention of the individual for his own guidance” (Frankena 1963, p. 5). At the same time, each person must decide what is good and right in the myriad occasions where choices arise, so that morality also “fosters or even calls for the use of reason and for a kind of autonomy on the part of the individual” (Frankena 1963, p. 7). As Aristotle observed in his *Nicomachean Ethics*, “it is no easy task to be good” (trans. 1925, II.9). It is never simply a matter of applying clear moral principles or a decision formula.

Moral educators have to reckon with what they can accomplish in the moral education of business students and ultimately the moral reform of business. Labaree's evidence suggests that it depends: Schools can create new programs with new missions and new degrees, but these are not "solutions that might make real changes in the ways in which we distribute power, wealth, and honor" (2010, p. 244). Yet schools have been successful in passing on a large and diverse body of knowledge, assimilating large populations of new immigrants, increasing the comfort level of interracial study and work, reducing gender discrimination, and equipping students to engage with and excel in using new technologies. Where schools work in sync with cultural values and respond to societal pressures, education can be an effective agent of change and even give some direction to that change.

## 6.2 Moral Capacity: Nature, Tradition, Habits, and Reason

Hans-Georg Gadamer began his second supplement to *Truth and Method* by identifying the issue that prompted his writing of the book.

In our contemporary situation, faced as we are with an increasingly widespread anxiety about the future of mankind, the issue is the suspicion slowly seeping into the consciousness of all that, if we go on this way, if we pursue industrialization, think of work only in terms of profit, and turn our earth into one vast factory as we are doing at the moment, then we threaten the conditions of human life in both the biological sense and in the sense of our own ideals for being human, even to the extreme of self-destruction. So we are led to ask with increasing urgency whether a primordial falsity may not be hidden in our relation to the world... Slowly this becomes clear: if we continue thus, we can—without, of course, being able to calculate the precise day—predict with certainty the fact that life on this planet will become impossible... (Gadamer 1960/1989, p. 542)

Gadamer asked if this "primordial falsity" can be attributed to language because of its power in socialization. That is, are we locked into a particular schematization "which would force us to run with open eyes, as it were, down a path whence there was no other issue than destruction" (p. 542)? He directed this question not to particular ideas or discursive formations in Western culture, but to language itself in the structures of grammar among Indo-Germanic peoples and the process of concept formation which "has led the will to dominance as the fundamental experience of reality along a lengthy historical path" (p. 545). It was not a matter of simply changing some ideas or ideals: His question was, does our language itself, deeply socialized within us from birth, imprison us in the prejudices and ideologies that have led us to our present danger? He referred to the "interior conversation with ourselves" in which "the world begins to open up and achieve order in all the domains of experience" (p. 543). Is the truth of our situation irredeemably impossible for us to grasp? "Do we ever arrive at the point where we understand what really is" (p. 544)?

Gadamer's 500-page response to this question was fundamentally *no*, that the interior dialogue of language with its "world conventionally preformed" is not a prison. To the contrary, our freedom is achievable not *in spite of* the conventions and

prejudices of language, but *because of* our prejudices. The prejudices that limit us are also limitless in possibilities, just as the language that limits us also opens up uncountable new and unique uses and adaptations. The prejudice of language, and of our moral traditions, is our historical path and only possible path, and it opens to us an infinite conversation, both interiorly and socially.

Precisely because this dialogue is infinite, because this orientation to things, given in the preformed schemas of discourse, enters into our spontaneous process of coming to an understanding both with one another and with ourselves, there is opened to us the infinity of what we understand in general and what we can make part of our own minds. There are no limits to the interior dialogue of the soul with itself. (Gadamer 1960/1989, p. 544)

Our cultural prejudices do not imprison us in our present dilemmas or struggles; rather, they are our starting point for change.

The earliest moral educators in the Western tradition firmly planted their understanding and aims in the moral community. Aristotle's moral vision began in the human community of the *polis* with the observation that human beings are by nature social: "Man is by nature an animal intended to live in a polis" (*Politics*, trans. 1962, Bk. I.ii.9). At the same time, human morality is not completely enclosed within social norms; indeed, these norms require moral judgment in order to achieve moral conformity. It is a "peculiarity of man...that he alone possesses a perception of good and evil, of the just and the unjust" (Bk. I.ii.12). The fact of individual moral perception meant, for Aristotle, that "man lives by rational principle" as well as natural impulse and habit (Bk. VII.xiii.12).

Thus there are three means by which humans must learn to do what is right and good: our natural sociality, the habits we form, and our reasoning power (Aristotle, Bk. VII.xiii.11). Moral perception is "modified by the force of habit either for better or worse" (Bk. VII.xiii.11), and habits can in turn be modified by training, e.g., physical training that fosters the virtue of courage (Bk. VIII.iii.1). Thus through training we can grow in the virtues—fortitude, temperance, justice, and wisdom—"goods of the soul" cultivated in one's character (Bk. VII.i.6). These virtues enable persons to meet situations with a capacity for doing good; but the judgment of what is the good thing to do in a particular situation depends on our rational principle, not habit. This right exercise of reason is developed by instruction given later in life, after the foundation of virtue is secure, rather than by training (Bk. VII.xiii.13).

Aristotle assumed that the good life and individual happiness toward which all moral education aims are to be experienced and exercised in the polis and on behalf of the polis. Each person's practice of morality is both a performance of the received tradition and a constructive contribution to that tradition. In terms of Gadamer's view of language, the moral tradition is conservative in passing on the mother tongue that we learned at birth but progressive and creative in having infinite applications and possibilities for continuing adaptation.

Both Plato and Aristotle saw actual participation in community life as inseparable from and necessary for knowing the good and doing what is right. Participation in community nurtures the desire for the good toward which community life is ordered, and this desire is the basis of our striving to achieve and experience that



good. Both considered politics to be the highest art, since the quality of life and practice of the community determines the good we will desire. This does not mean that citizens are trapped within politics as they find it being practiced, but it does mean that moral change would require political change, and vice versa. Any changes desired must correspond to what it is actually possible to practice in the community. Again, morality is inherently practical; it is derived from and aims toward successful participation and belonging in community.

### 6.3 The Power of Moral Tradition

Reflection on questions of good and right is above all a matter of self-understanding within a historical process, as each person lives life in community. Human action is “auto-teleological”, not only in the sense of determining who we are becoming but also in understanding what the good *is* by attempting to *do* the good (John Paul II 1993). Each person approaches moments of decision equipped with moral tradition, and each person by choosing and acting interprets what the good is here and now, in this moment in this life. Morality is not only an objective knowledge of reality outside of us; it is inside us and we are inside it, like knowing and using a language. Just as language presents and orders the world of our experience (Gadamer 1960/1989, p. 457), moral knowledge presents and orders “the cooperative systems of social relations which condition the emergence and satisfaction of wide ranges of individual desires and feelings” (Melchin 1991, p. 501). We can say of language that it reveals things to us and places them in relationship, so that experience is intelligible (Gadamer 1960/1989, pp. 410–412). We can say also of moral tradition that it reveals to us the possibilities of who we are and who can become, and by our actions we realize some part of these moral possibilities, and thus by our action make our experience intelligible and meaningful.

There is a further parallel between language and moral tradition in the authority they evoke. In language,

every word breaks forth as if from a center and is related to a whole... Every word causes the whole of the language to which it belongs to resonate and the whole worldview that underlies it to appear. Thus every word, as the event of a moment, carries with it the unsaid, to which it is related by responding and summoning. The occasionality of human speech is not a casual imperfection of its expressive power; it is, rather, the logical expression of the living virtuality of speech that brings a totality of meaning into play, without being able to express it totally. (Gadamer 1960/1989, p. 458)

The authority of language arises partly from its ability to say whatever needs to be said, to bring experience into understanding by naming and speaking it, but it also arises from the whole of meaning that is evoked by each word. Its truth is recognized as superior to our ability to simply “use” language as an instrument.

You must realize when you take a word in your mouth, you have not taken up some arbitrary tool which can be thrown in a corner if it doesn't do the job, but you are committed to a line of thought that comes from afar and reaches on beyond you... We speak that word and it leads to consequences and ends we had not perhaps conceived of. (Gadamer 1960/1989, pp. 547–8)

Similarly, moral tradition evokes a sense of the whole of life's possibilities—that which is known and done, and that which is unknown and not yet done. We sense in the whole a superiority—or, perhaps, a pre-existing realm of possibility—that we have only limited ability to realize. We recognize its authority in the recognition it brings to our experience. We face a future that can have meaning for us, not because we can grasp ahead of time what we will become or experience, but because we embody a set of knowledge and practices with which to go into the future with a sense of direction, with a sense of what is possible, with a sense of what is good. In our participation in the moral tradition, we connect the past with the present as an aim into the future. “What we call experience (*Erfahrung*) and acquire through experience is a living process; and its paradigm is not the discovery of facts but the peculiar fusion of memory and expectation into a whole” (Gadamer 1960/1989, p. 221).

There is also another dimension to the power and truth of the tradition. Tradition is a shared knowledge, yet with a “variation among individual members in terms of their knowledge” (B. Schieffelin 1990, p. 15). We can know this tradition only in part; yet it provides standards and practices which embrace the whole.

We do not learn a culture; we learn how to live in a culture... Language and culture comprise bodies of knowledge, structures of understanding, conceptions of the world, and collective representations that are extrinsic to any individual. These contain more information than any individual could know or learn... One does not “acquire culture”; one acquires sets of practices that enable one to live in a culture. (Schieffelin 1990, p. 15)

Moral tradition evokes the whole of those who participated in it before us, and it reaches out to those who will participate in the future. The authority with which this tradition is received guides participation toward the possibilities it offers, so that the standards and practices it presents register a demand: *Do this*—in order to achieve the possibilities of a good life in the society.

Alasdair MacIntyre (1988) summarized the interrelationships between the person, the society, and morality as a kind of circle: life in the well-ordered society consists of all citizens performing their tasks with excellence. In doing so, they continually reinforce and reeducate each other on what the good is and help each other achieve it and contribute to it. Young people are brought into this activity according to their station in life. Each develops the disposition (*hexis*) to nurture a desire for those things which are good and to curb those passions which might distract him or her from recognizing or practicing what is good. This disposition thus positions each person prior to the moment of decision to seek and see correctly what is the good thing to do in every particular situation. Each citizen determines this particular good through a process of practical reasoning (*phronesis*), which is itself a virtue developed with experience and strengthened by the practice of the other virtues. By *phronesis*, the individual who is rightly disposed by practice of the

virtues perceives the good to be done and the situations in which that good can be done, and does it. In every case, the virtuous citizen aims for the possible good by avoiding the extremes on either side that deviate from this good. The result of these virtuous acts is a good life lived in well-ordered *polis*.

Thus what Gadamer called the “fore-conception of completeness” (1960/1989, pp. 293–4) appears in two ways in moral tradition: temporally and socially. Our sense of “a whole life” is realized in each act, as each act finds meaning as part of a narrative of the whole life. Likewise, society as a whole is realized in the participation of each member, and each participant finds meaning as a member of this whole. This sense of the whole does not arise from ourselves as “an act of subjectivity, but proceeds from the commonality that binds us to the tradition” (p. 293). We are already bound to others; the first words we hear do not come from ourselves: They bring to us a world and call us to be part of it. “Here the concept of belonging takes on a new definition. Belonging is brought about by tradition’s addressing us. Everyone who is situated in a tradition...must listen to what reaches him from it” (p. 463). Belonging is the power that moves in moral norms, that makes the possibilities they offer for human action register a demand on those who hear them. “The real force of morals...is based on tradition” (p. 280).

## 6.4 A Theory of Moral Learning

Individuals learn the moral tradition by participating in the society and its tradition, and society as a whole also learns as its traditions change. Moral learning is first a matter of practical problem-solving: “A tradition learns and societies learn as a consequence of the challenges posed to the accepted way of acting and thinking” (Gunnemann 1994, p. 85). Societies, like other systems, continually adjust in order to maintain a steady state; they are conservative toward change. As Gregory Bateson observed, learning is aversive, an attempt to neutralize change and return to steady state (1972, p. 442). At the same time, human society is a subsystem of a larger system that is striving to thrive, so that moral learning is progressive: “Through meeting challenges societies and persons in them grow, both intellectually and practically, capacities that are then part of the social capital for future problem-solving” (Gunnemann 1994, p. 85). Character traits or virtues are

not strictly applicable to the individual but rather describe *transactions* between the individual and his material and human environment. No man is “resourceful” or “dependent” or “fatalistic” in a vacuum. His characteristic, whatever it may be, is not his but is rather a characteristic of what goes on between him and something (or somebody) else. (Bateson 1972, p. 298; emphasis in original)

From the perspective of society, the same transactional nature pertains. What Robin Lovin and Frank Reynolds said about indigenous ethics and ethical naturalism appears to be an accurate description for all societies:

Moral life is shaped, not just by the conditions of human life in general, but by the specific conditions under which this people now has to live, and even by the seasonal variations that mark off one time of year, with its own enjoyments and challenges, from the enjoyments and challenges of other times of the year. (1992, p. 275)

Thus, for the society and the individual, moral learning occurs in contextual interaction, and moral knowledge is carried in contextual interaction. Moral learning is a total system operation, “an ecology of mind” in which “*the mental characteristics are immanent, not in some part, but in the system as a whole*” (Bateson 1972, p. 316; Italics in original).

For Aristotle, “the basis of moral knowledge in man is *orexis*, striving, and its development into a fixed demeanor (*hexis*)” (Gadamer 1960/1989, p. 312). The individual strives to attain the good in each situation, which is ultimately striving for well-being, *eudaimonia*. “Man becomes what he is through what he does and how he behaves,” so that practice produces identity; but it is equally true that “he behaves in a certain way because of what he has become,” so that identity guides practice (Gadamer 1960/1989, p. 312). This is never a purely individual identity or practice, since we strive within human institutions which surround us and support us, from personal friendships to the commonwealth of which we are a member. Knowledge of who we are is thus embodied in our action, and likewise knowledge of the good, what we live for and strive for, is also embodied in our action.

Thus moral knowledge is impossible without practice, and in this way it resembles the knowledge of the artist and craftsman (*techne*). One can learn how to make things, but not without action, practice, and application. I cannot say I know rug-weaving without ever weaving a rug, nor can I say I know truth-telling without telling the truth. Yet this view of moral learning as *techne* is not completely fitting. Gadamer asked, “Does man learn to make himself what he ought to be, in the same way that the craftsman learns to make things according to his plan and will” (1960/1989, p. 315), or does society and its tradition provide a plan for who we are to become, which we then implement? The answer to these questions is both yes and no.

*First*, we are already deeply involved in the project of making ourselves before we have any conscious knowledge of an ideal form. In this sense, moral practice and moral identity precede moral understanding.

*Second*, the object of our moral knowledge does not lie outside us as in *techne* but within us as a form of self-knowledge. Knowing what is good for ourselves means being aware of what our place and role is in society and in the concrete situation in which we must act.

We are always already in the situation of having to act (disregarding the special position of children, for whom obedience to the person educating them replaces their own decision), and hence we must already possess and be able to apply moral knowledge. (Gadamer 1960/1989, p. 317).

Paradoxically, then, moral knowledge also precedes practice. “A person who has to make moral decisions has always already learned something. He has been so formed by education and custom that he knows in general what is right” (Gadamer

1960/1989, p. 316). The learning referred to here is not instruction but a kind of moral apprenticeship as outlined by Plato in the *Republic*; which brings us again back to a practice that precedes theory.

*Third*, we do not choose to learn morality, as we can choose to learn a *techne*, nor do we choose what morality to learn. In fact, we do not *learn* morality at all, in the sense we can learn and forget a *techne*. Rather, we are *formed* in the morality in which we live; it becomes a part of us. Social formation is more deeply rooted in us than learning a skill and more enduring than education. As Margaret Mead concluded from her long observations in New Guinea and elsewhere around the world, we cannot successfully teach something for which society has no use. “The perpetuation of the given culture is the inevitable fate of the majority of any society” (1975, p. 222).

So those who think they can make our society less militantly acquisitive by bringing children up in a world of share and share alike, bargain without their hosts. They can create such a world among a few children who are absolutely under their control, but they will have built up an attitude which will find no institutionalized path for adult expression. The child so trained might become a morbid misfit or an iconoclast, but he cannot make terms with his society without relinquishing the childhood attitudes for which his society has no use. (Mead 1975, p. 272)

Society always wins over education, and morality will overcome instruction, so long as the morals are practiced usefully in the society.

*Fourth*, we cannot have a fully determined image of what we should become or what we should do, because the image must always be determined in the historical situation. In *techne* we can follow a blueprint or imitate an exemplar, and if we must depart from the plan because of obstacles in the execution, we are aware of our adaptation or of falling short of what we knew to be best. In morality, we have only an indistinct image at which we aim, and it is only in the actual doing that we come to a clear knowledge of the good that is possible in this situation. Only in the doing can we know what is good and right.

## 6.5 Implications for Moral Education

Margaret Mead saw the limits of moral education and warned of the dangers of presenting theoretical moral schemes that could not be practiced in the larger society. It would be more beneficial, she thought, to give children a way to respect what their culture did provide and practice than to undermine and discredit the ways of life that the children would inevitably have to participate in as adults. Consistent with Plato and Aristotle, she believed the only moral change possible was tied to political change.

Those who wish to alter our traditions and cherish the Utopian but perhaps not impossible hope that they can consciously do so, must first muster a large enough body of adults who with them wish to make the slight rearrangements of our traditional attitudes which present themselves to our culturally saturated minds... They must, that is, create a coherent adult

culture in miniature before they can hope to bring up children in the new tradition... Such changes in adult attitudes come slowly, are more dependent upon specially gifted or wise individuals than upon wholesale educational schemes. (Mead 1975, p. 276)

Mead thought that effective moral reform through political change called for persons who had the gift of seeing the potential for new and practical ways to realize the good that they had received in their tradition. Robert Inchausti (1991) examined six such persons in modern times: Mohandas Gandhi, Mother Teresa, Lech Walesa, Elie Wiesel, Alexander Solzhenitsyn, and Martin Luther King, Jr. In a manner characteristic of Socrates, each of these people was able to grasp the good in his or her tradition for the sake of which one could act in the present situation, and to hold to that good through the dialectic of actual practice in the public life of society. Each called for continuity of belonging to tradition and to contemporary community, and in the process each provoked changes in both tradition and community.

The preceding reflections suggest a general approach to moral education that incorporates the elements of dialogue, recognition, self-understanding, and production. First, this approach must be *public* in nature, in order to engage political concerns with the common good; and second, it would have to be *practical*, as a genuine attempt to achieve the good that is possible. These two requirements will be addressed in detail in the following chapter, but the general outlines are important to sketch here.

### 6.5.1 *The Need for Public Ethics*

There is great need to articulate and teach a common ethic for the public arena, applying equally to public administration, for-profit and nonprofit business, and civil society associations. Although always interdependent in fact, these sectors are increasingly interwoven by design in contemporary public life: public-private partnerships, social enterprise and entrepreneurship, cross-sector marketing and sponsorships, and contractual relations of all kinds abound. Furthermore, this functional interdependence is reinforced by a single set of operating principles and ideals: efficiency, effectiveness (results and profit), security, privacy, and faith in marketplace incentives and processes.

The distinction between morality and ethics is fundamental to any discussion of public ethics. “Morality” refers to the internalized rules, habits, and values inherited from one’s moral tradition, that serve each person as the basis for evaluation of conduct—what is usually called one’s conscience. “Ethics” is critical rational reflection on morals.

Man acts; we have no theory to advance as yet why he acts or why he should act; but he does, and he also evaluates action. All this is non-reflective. But in his quieter moments he may reflect on his actions and his evaluations. This reflection is the basis of all ethics. When it becomes ordered, systematic, critical, rational investigation and reflection, then it *is* ethics. Ethics is the systematic (or scientific) attempt to understand rationally the evaluation of conduct. (Lee 1928, p. 456)

The shift from personal morality to public ethics highlights the distinction between accountability to conscience and accountability to justice. Rather than focusing on personal responsibility to remain true *only* to one's own moral values and commitments, the leader *also* takes on a public responsibility for the work of justice as a rational enterprise. This does not mean that a business owner or manager abandons her or his own moral tradition, aspirations, and community; rather, the leader stands within that tradition and looks outward to what that tradition can contribute—and to what he as a leader is in a position to contribute—to the requirements of public reason and the demands of justice. The abilities in question concern not the leader's integrity in the internal forum, but the leader's performance of his or her role in the public forum.

The public forum provides the opening to the political task cited by Margaret Mead as the necessary extension of moral education into moral reform. To succeed in this extension, the intervention in the public forum must include the four elements identified above.

All participating parties enter a process of *dialogue*, characterized by a willingness to listen to each other and seek together for solutions to the problems or goals at hand. This can evoke a sense of infidelity to one's own tradition, because "In order to transcend initial impressions, we must have the discipline to suspend temporarily concern with our own position in order to grasp the other's point" (Cowen 1993, p. 31). This is the precondition for dialogue, without which the public forum is merely a site for bargaining and power plays.

The intentional, disciplined, temporary suspension of concern with one's own position which I am urging here is emphatically not to be equated with agreement with the other. In authentic dialogue the extent to which we finally agree and/or disagree must be allowed to emerge from our exchange. The more crucial the matters at stake, the less likely that things will be settled in initial efforts at mutual understanding. The purpose of these efforts at initial understanding is to build a bridge of trust and mutual respect for the subsequent negotiation of legitimate differences in interest and perspective. (Cowen 1993, p. 31)

*Recognition* is the foremost aim of dialogue. "Authentic conversation is a mutual search for truth and fairness" (Cowen 1993, p. 32), and it is the nature of truth that it must be seen. Truth impresses upon us its own testimony: as we consider what we already know and what we are hearing and learning, we wait for the moment of sight, when we can say, "Now I see!" It can help to compile lists of reasons, bodies of evidence, and scales of analysis, but in the end we are searching for a synthesis that captures a recognition of what really is and what really matters. An excellent example of this moment of recognition was captured in the debate regarding the removal of the Confederate battle flag from its prominent place in the South Carolina capitol, when Representative Wendell Gilliard recognized the action required in the present moment in history. "And now we see what needs to be done," he said. "The right thing to do is what we call the healing thing. The gentle laying down of the past and a hopeful road to the future" (Fausset and Blinder 2015). It is more than the sum of all measures or the balance of compromise—either of which might have to suffice for a time as the search for truth continues. Even so, it is critical to remember that the truth is neither absolute nor final: It is always subject to reconsideration and reinterpretation. It is always available for further dialogue.

For business owners and managers, the recognition being sought will often relate to responsibility for possibilities or effects of business activity. In some cases these could entail additional costs; in other cases they might open up opportunities for expansion or cost-saving modifications of business operations.

The recognition of a solution through dialogue brings a new *self-understanding*, a new way for participants to understand their own moral tradition and the bearing of their moral commitments. The July 2015 debate in the South Carolina Legislature brought such moments as well, when supporters of the Confederate battle flag came to a new understanding of their attachment to Southern culture and its bearing on the removal of the flag. The possibility of a new self-understanding is perhaps the greatest risk of entering into dialogue.

Conversation requires a receptivity to otherness which always puts our world at risk. The source of that risk is clear: the other's communication has the power to affect our worldview, that overarching interpretation of life itself by means of which we maintain coherent meaning. To have the meaning of one's very existence called into question is the ultimate risk for creatures of meaning. (Cowen 1993, p. 33)

For a business, the new self-understanding would reflect public awareness and acknowledgment of the business's role in the marketplace and in a local community. This is often the case when a new mining operation is being opened, as a company and the local community work together to express their relationship in a "social license to operate." Because of the impact of extraction industries on local communities, the company has to assume a role with more public responsibility than is customary for private organizations. Something similar happened with scientific publishers over the last 10 years, as the publication of fraudulent research papers came to light—in one case, a body of work comprised of 212 papers of which only three were authentic and 172 were fraudulent (McNeill 2012). The comfortable understanding of scientific journals and their peer review process as a guarantee of scientific rigor and dependability had to be revised to a less comfortable self-understanding of systemic weaknesses.

Finally, public ethics entails a determination to be *productive*. In a manner entirely consistent with the "pragmatic pursuit of the good" described above, parties enter the dialogue in the public arena to get something important done.

Public ethics is a dialectical process designed to search together for the best solution to public problems and goals. To meet this demand requires a realignment of the educator's task, from teaching morality to teaching ethical leadership. It means, specifically, expanding the leader's ability to perceive what kind of justice is at stake and to master the exercise of public reason—indeed, to be able to organize a public setting and facilitate public participation in which opposing or aggrieved parties can work to construct the public good. The learning in question is not character-building or compliance-oriented, but practice-based.



### 6.5.2 *The Practice of Public Ethics*

Addressing education in ethics as a matter of enhancing one's excellence in a public practice stands in a long tradition of ethical reflection in Western societies. In this discussion, "practice" refers to something quite specific: the complex and cohesive patterns of action that require certain kinds of knowledge and awareness in the practitioner and consistently produce certain kinds of goods in the public arena. Architecture and farming are good examples. The architect needs to know the aesthetics of balance, the capabilities of engineering, the strength of materials, and the variations in environmental conditions that create and limit possibilities, and thus to be able to extend this knowledge and awareness into designs for buildings that fulfill the functions intended and thus increase the public good. The farmer needs to know seed selection, cultivation science, food storage, transportation options, and soil and weather conditions that limit and extend possibilities, and thus to be able to adapt resources to greatest benefit in harvests that provide for the public good.

The practice of public ethics belongs in this tradition. The public leader needs to know what kinds of justice are essential to social cooperation and human thriving, to recognize what is required for the exercise of public reason in particular situations, to be aware of the history and institutions that create and limit possibilities, and to be able to organize a public setting and facilitate a process in which participants can address the need or conflict at hand and construct the public good.

This description, admittedly too general to be adequate in itself, already points to concerns about the role of corporations as public entities responsible for a share of the public good and accountable to the demands of justice. To address such concerns means that educators must teach the distinctions between private goods, common goods, and the public good—and their interdependent benefits. It requires teaching the linkage between social cooperation and the requirements of fair processes, and the linkage between human needs and the distribution of goods. As these things are taught in programs of business administration and public administration, these responsibilities and accountabilities must be accompanied by the practical knowledge to organize public settings where they can be addressed and to facilitate public processes in which participants can address them. When schools teach the duties of office and the ideals of professions, they must be taught in a context of accountability to the public good as well as in the context of organizational benefit and legal compliance. If educators are to contribute to improvement in the practice of public ethics, this must be the new agenda for schools of business administration as well as public administration.

To be practical, this framework must be articulated in clear and simple terms that can be adapted in myriad complex circumstances. Detailed ethical theories are of little immediate use, not because they are untenable but because they were written to define, expound, and defend a particular consistent and thorough understanding of moral commitments and human goods. As exercises in moral philosophy, these theories serve an essential purpose, and what follows in my proposal draws upon them in both terminology and substance. However, ethical theories move from

broad and deep appreciation of the complexities of experience to rational exposition, and what is required in a framework for the practice of public ethics is knowledge and skill in facilitating public reflection and deliberation on the good that is possible: public ethics as a tool for public use.

The approach to public ethics presented in this text entails three fundamental departures from current approaches: *first*, shifting from a focus on compliance within the organization to a focus on justice—not only within the organization but in society as well; *second*, shifting from a focus on the internal forum of conscience (personal honesty, integrity, etc.) to a focus on the external forum of public accountability, because moral expectations bearing solely on the individual lack the authority and reinforcement needed to resist ordinary operational pressures; and *third*, shifting the focus from sector-specific ethics to a single ethic for the public arena that includes government, business (for-profit and nonprofit), and civil society. Even though the three sectors of business, government, and civil society are formally committed to ethical operations characterized by access to information (truth) and equality of process (fairness), multiple studies show that these commitments are vulnerable to violation in the face of the ordinary pressures of operations. The *uncertainty* of long-term outcomes increases pressure to forsake long-term benefit for short-term gain; *liability* for harms increases pressure to minimize exposure or withhold information; *ambition* for advancement and wealth increases pressure to subvert fair process; and *loyalty* to the team increases pressure to conform in violation of ethical principles.

Behind the practice of public ethics lies the recognition of justice as “the first virtue of social institutions” (Rawls 1971, p. 3). Although justice has many nuances and varying applications, the practice of public ethics will be called upon most often to work within a three-part framework of procedural justice, distributive justice, and public justice, all in service to the public good. Although each of these terms has a long and complicated history, they can be presented in a simple set of distinctions: (a) public justice referring to the duties of offices and the duties and ideals of professions; (b) procedural justice referring to the fairness in processes required to respect equal dignity and opportunity for cooperation in society; and (c) distributive justice referring to the allocation of goods sufficient to meet human needs, and beyond this governing allocations in accord with merit and to support human thriving.

It is a key function of public leadership to be able to facilitate public processes to recognize collectively what kind of justice is at stake and how the demands of justice can best be met. This will require education toward three characteristics of ethical leadership: moral and ethical clarity, moral and ethical leadership, and public leadership.

*Moral and ethical clarity* must be achieved through the explicit codification of values, guiding principles, governing standards, and associated sanctions (punishments and rewards) in organizational codes of behavior, professional commitments and ideals, and public agreements on ethical disputes. No matter how clearly stated, codes of conduct and values statements can only become clear and effective in operation, through repeated affirmation and accountability. Explicit and repeated training programs demonstrating organizational commitment can help participants

internalize and comply with such values and codes. Despite their importance, however, behavioral codes and agreements (or contracts), no matter how clearly stated or consistently reinforced, function more effectively to maintain a minimum level of compliance than to encourage behavior above and beyond the norm. Minimalist commitments and practice can never be sufficient to achieve a just economy because new situations arise continually that must be addressed in a forward-looking way.

*Moral and ethical leadership* is therefore always needed to translate codes and standards into organizational culture and operational consistency, and to carry the values embodied in codes forward into new applications. Actual organizational practices – including covert operational patterns and expectations – generate the moral authority of group behavior that far outweighs the moral authority of behavioral codes, laws, and regulations. Therefore, a primary function of moral and ethical leadership is to achieve authoritative moral practice with consistency between enacted and espoused moral and ethical commitments.

*Public leadership* carries organizational moral and ethical commitments into the public arena in the ordinary course of business, both to specific stakeholders and to the public in general. Because effective work in the public arena requires the giving of reasons for judgments and actions, leaders must be skilled in the use of *public reason*. Reasons given must be logically related to and supportive of positions taken, based on information that is accessible and verifiable to others, open to modification in light of additional or corrected information, use language and concepts likely to be understood by others, and appeal to principles and values likely to be shared by others.

It is essential that leaders articulate the good they seek as clearly as they can. It can be helpful, for example, to distinguish among four kinds of goods: (a) *private* goods that are controlled by and for the benefit of private parties, although these can have characteristics of common and public goods when they contribute to or detract from such shared goods; (b) *common* goods that are controlled by and benefit some specific group or population; (c) *public* goods that are controlled by and benefit the public as a whole, referring to the relevant geographical jurisdiction or population and/or benefit a group in society; and (d) *the common good*, a more vague and expansive term that can refer to goods that are in some sense good for all (Lohmann 1992).

## 6.6 Conclusion

In any situation, each individual presents both the tradition and the self. Each moment is an encounter that can create a tension with the horizon of embodied tradition that takes the form of *seeking the good* out ahead of one—an orientation toward the future. In some sense, the good desired must be a good that one already knows, since an entirely unknown good could not even be desired, yet the good desired is something new that cannot be known until it is realized. The moral act is

always a fusion of horizons that re-presents the tradition while producing something new.

The moral act is therefore *dialectical*, moving back and forth between what is known to be good and something new to be realized. We cannot draw upon a complete and definitive knowledge or universal principle which can simply be applied like the application of a technical skill.

Here, in the question of the good, there is no body of knowledge at one's disposal. Nor can one person defer to the authority of another. One has to ask oneself, and in so doing, one necessarily finds oneself in discussion either with oneself or with others... Only in dialogue—with oneself or with others—can one get beyond the mere prejudices of prevailing conventions. (Gadamer 1986, pp. 41–42, 43)

It is not that we do not know anything, but rather that our moral act is a *particular* knowing, and the truth of the moment must be ferreted out. Another name for this dialogue is conscience, not as an inner tribunal that sits in judgment over the truth of actions but as an engagement in a dialogue with and for truth.

The moral act is also *recognition*. The structure of social living already gives us a sense of the good, which we experience in the power of belonging. This is a “prior knowledge which guides all one’s seeking and questioning” (Gadamer 1986, p. 57). The moral reflection or thinking that we have described as dialogue is seeking something we already know. Therefore moral knowledge is not learned and then applied like the application of theory or formula. “We do not stand over against it as something we can acquire or not”, but we stand already within it, “already in the situation of having to act” (Gadamer 1960/1989, p. 317) and thus already able to see what must be done. The word “recognition” often has this connotation of *seeing*. But seeing is always interpretation. The same thing occurs in moral action.

In this way, moral action is also *self-understanding*. There is a revelatory dimension to action, in which by doing what is right and good we see also the right and good in ourselves. Moral action proceeds from within and reveals to us who we are. Who we are changes with what we do.

At the same time, the moral act is also *productive*. Edward Schieffelin, in his ethnology of the Kaluli in Papua New Guinea, spoke of the social gain that came from proper observance of the reciprocal practices of sharing food and settling scores (in retaliation), as social relationships were strengthened and extended in the process (1976). We perform the tradition, which succeeds or fails as a solution to historical living on the basis of our performance. We desire the good that our preformation offers as a possibility, and we act to realize it, thus turning desire into self-understanding and self-determination.

All of these elements of moral practice are likewise enacted in the practice of public ethics—as rational reflection and public deliberation. The motivation to enter into rational reflection on justice springs from our desire to belong to this place as citizens who have a responsibility for its current conditions and future possibilities. The process of reflection and deliberation is always an attempt to seek out the good that is known from past experience and that is possible here. This requires entering into honest dialogue, with openness to learn more of the truth than we already know.

This means going back and forth between perspectives and possibilities, with sober consideration of what resources are available in human capital, social capital, and natural or financial capital. The end of this process cannot be foretold but the intention is to arrive a shared recognition of the good that is possible—and then to do it.

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# Chapter 7

## Public Ethics and the Principles of Public Deliberation

**Abstract** Moral failures or ethical violations in business and government have most frequently been attributed to a lack of moral awareness or character, which are in turn considered to be the result of poor upbringing, a lack of courage in the face of peer pressures, or a failure of moral reasoning and judgment. Education in business and public ethics attempts to inform leaders of moral limits, alert them to negative consequences of moral failure, and strengthen their commitment to positive moral values. Such programs of moral education are not sufficient, however, to prepare leaders to address questions of justice in a democratic pluralistic society. Businesses and government are powerful institutions with great effects on matters of justice, social welfare, and the public good, quite apart from activities that break laws or violate commonly held moral values. Public leaders need education in ethical reflection and public deliberation in order to fulfill their responsibilities to manage and lead toward building the common good and a more just society. In designing education to prepare leaders for these responsibilities, the most critical elements will be public accountability, public reason, and a conceptual framework to distinguish matters of procedural justice, distributive justice, and public justice.

**Keywords** Public accountability • Justice • Public ethics • Public reason • Procedural justice • Distributive justice • Professional ethics • Public good

### 7.1 Introduction

There is no lack of examples of failures in public ethics. Virtually every day, the pages of the local and national daily newspapers chronicle instances of public malfeasance: university researchers altering or misrepresenting data, pharmaceutical companies ghostwriting articles under the name of prominent medical researchers, law enforcement officers accused of racial bias, large corporations bribing political leaders to gain market advantages, loan officers enticing borrowers into mortgages they can never repay, crime labs distorting evidence to support the prosecution, and more; the list could go on. Such moral failures or ethical violations in business and government have most frequently been looked upon as a lack of moral awareness,

sensitivity, or character which are in turn attributed to poor upbringing, a lack of courage in the face of peer pressures, or failures of moral reasoning and judgment. Such violations diminish the general level of public trust in business and government, and as a consequence also lower public expectations of their contributions to a more just society overall.

Educators must admit that lack of schooling is not the problem. Those responsible for causing the Enron scandal and the financial crisis that brought on the Great Recession of 2008 were for the most part graduates of business administration or public administration programs at our most prominent universities. Virtually all of these programs include courses or lectures in business ethics and leadership. We might question the quality of the instruction, but there is no reason to think it is inferior to the rest of what is taught. The question then is: What can be done about it?

Large scandals in public ethics often prompt policy makers to establish laws and procedures to identify and correct such behaviors, such as the Sarbanes-Oxley legislation written to prevent companies from manipulating investments and reporting to hide losses, as Enron had done. At a minimum, laws and regulations articulate clear standards and penalties that define the boundaries of what is expected and what can be tolerated, legal clarity and regulatory enforcement can never be complete enough to correct for and prevent ethical violations. The logic of minimal compliance to obey the law and avoid prosecution is not enough.

Education in business and public ethics customarily attempts to inform leaders of moral limits, alert them to negative consequences of moral failure, and strengthen their commitment to positive moral values. I propose here that the problem be framed differently, not as a lack of knowledge or as personal moral failure, but as a lack of leadership ability in public ethics. What is needed, in addition to moral education, is education to prepare leaders to address questions of justice in a democratic pluralistic society. Businesses and government are powerful institutions with great effects on matters of justice, social welfare, and the public good, quite apart from activities that break laws or violate commonly held moral values. Public leaders need education in ethical reflection and public deliberation in order to fulfill their responsibilities to manage and lead toward building the common good and a more just society. In designing education to prepare leaders for these responsibilities, the most critical elements will be public accountability, public reason, and a conceptual framework to distinguish matters of procedural justice, distributive justice, and public justice.

Note three key distinctions in this way of framing the problem: first, I refer to an ability to lead, not to the leader's character; second, I address the problem as a public matter, not a matter of personal integrity and values; and third, I am concerned with ethics as a rational enterprise rather than with morals in all their complexity and rootedness in communal and familial philosophical and religious traditions. The crucial bearing of this way of framing the problem is that, as educators, we must facilitate the learning of a set of abilities to lead others in a rational enterprise in the public arena, regardless of the students' own moral excellence or proclivities. Further, we must prepare our students to do this in situations of conflict and

contradiction, not only in the face of opposing views and incompatible principles and commitments but often with uneven costs and uncertain benefits.

## **7.2 Organizational Morality: Norms, Leadership, and Accountability**

The solution to the educator's challenge must begin with an understanding of the problem. A scan of business ethics literature would suggest that we are facing a lack of knowledge of the legal limits of behavior and a failure in personal morality, or at least a failure in personal moral courage. To respond to the lack of knowledge, we find extensive reviews of codes of conduct, legal principles and prohibitions, and mechanisms to enforce compliance. To respond to the lack of morals and moral fortitude, we see stories of moral exemplars and case studies of moral failures. Yet it seems that these good efforts are not sufficient.

Knowledge is always lacking to some extent, but lack of knowledge does not explain why some of the best and brightest managers are among the greatest violators. Knowledge of the limits, in an environment devoted to maximizing results and efficiency, might actually entice managers to cut as close as possible to the limits. Greater knowledge of limits and mechanisms of compliance can give a finer awareness of gaps and marginal territory where detection is difficult and enforcement is less likely. Knowledge of legal limits and responsibilities is a necessary but not sufficient solution to the problem of public ethics.

Personal moral sensitivity and fortitude are likewise always limited and, as long as we are alive, changing. Moral educators commonly address these components of moral behavior in terms of internalized individual morality and moral leadership:

1. Are students brought up with—and have they internalized—a clear set of personal moral values, standards, and commitments?
2. Do students have a clear understanding of expected behavior in the workplace, in terms of legal compliance, organizational values and norms, and broader marketplace or professional ethics?
3. Can students recognize a moral conflict when we see it, or does it simply look like one more challenge to expediency?
4. When students see a moral problem, do they have the integrity to stand up for what is right, even at personal risk?
5. Are students learning the demands of moral leadership and its crucial role in modeling and creating an environment that rewards moral integrity as an essential component of success?

Surveys by the Ethics Research Center have shown that large companies which address these questions with effective programs can significantly reduce pressures toward misconduct, reduce observations of misconduct, increase reporting of misconduct, and decrease retaliation for reporting misconduct (Ethics Research Center



2015). Effective programs combine the components of moral education identified in the preceding questions, characterized by well implemented ethics programs with clear codes of conduct and consistent training, plus a strong ethical culture that rewards ethical behavior and promptly holds violators accountable. Such programs can reduce perceptions of misconduct within the organization by 50% and increase reporting of misconduct by 40% (Ethics Resource Center 2012).

Effective codes of conduct include four kinds of moral guidance or rules: *prohibitions*, which should be very clearly stated and include enforcement mechanisms; *responsibilities*, which are clearly stated but also allow room for interpretation to adapt to particular circumstances; *virtues* and qualities of character, which are stated generally enough to apply to all employees in the organization; and *aspirations*, which give employees a sense of direction and vision for excellence in moral conduct (Svara 2007).

The explicit codification of values, guiding principles, governing standards, and associated punishments and rewards are a powerful reinforcement of moral behavior—provided they are clearly stated, explicitly taught, and effectively implemented in organizational operations—with on-going affirmation and accountability. Explicit and repeated training programs demonstrate organizational commitment and help participants internalize and comply with ethical codes. Such codes of conduct provide a way to apply general ethical norms to specific behaviors and challenges inherent in the work at hand. Further, the development of organizational and professional codes offers a forum to discuss and expand ethical considerations.

To achieve a strong ethical culture, organizations surround their codes of conduct with supporting structures and activities: (a) a clear organizational mission, (b) clear organizational vision and direction, (c) clearly stated legal mandates and prohibitions, (d) consistent and regular ethics training, (e) incentives for exemplary behavior, (f) discipline for violators, (g) a hotline for reporting violations that can by-pass the employee's chain of command and in some cases reach an ombudsman who represents the corporate board, (h) mechanisms for advice, (i) evaluation of ethical behavior in individuals and across the organization, and (j) the demonstration of values externally in the public arena—for the public good (DesJardins 2009, pp. 83–85; Ethics Resource Center 2008, p. 10). Two components in this list call for further elaboration: moral leadership and public accountability.

### ***7.2.1 Moral Leadership: Exemplar, Consistency, and Organizational Culture***

Moral leadership in organizations does not refer only to positional leaders such as the CEO, the corporate president, divisional leaders, and others in supervisory positions. While it is essential that positional leaders can be trusted to do the right thing

and that supervisors set a good example and encourage ethical behavior, it is also essential that workplace peers support each other in doing the right thing. Indeed, if the embedded ethical values enacted in informal communications are not complementary and consistent with the organization's stated values, the formal values statements carry little weight (Ethics Resource Center 2008, p. 12). The moral authority of the normative reference group—in this case, fellow employees—far outweighs authority inscribed in organizational behavioral codes or societal laws and regulations.

The power of the normative reference group necessitates attention to organizational culture, enacted moral practices, and covert operational patterns and expectations. The primary function of organizational leadership is to achieve an authoritative presence in the organization as a functional unit and as a normative reference group; this is precisely what moral leadership means and is. Such leadership is exercised in the context of the normative reference group—that group with sufficient interaction and interdependence to require moral practice, to display the ethical requirements of the organization, to enable recognition of performance and failure to perform, and the authority to hold members of the group accountable.

The symbolic power of moral leadership can be exercised by any member of the organization, but the visibility of positional leaders gives them particular responsibility to consistently display the expected morals and ethics in their own behavior, to set and abide by standards of performance, to demonstrate recognition and reward for positive ethical contributions, and to demonstrate accountability for failure to perform. The moral stance of the organization is symbolized by consistency between speech and actions, promptness and consistency in reinforcing accountability, and magnanimity in appreciation of the moral convictions of others. This is not merely a matter of words but also a matter of bodily presence in all manner of situations, especially in conflict, with *presence* referring to both present in time and place and a confident and receptive stance. Moral leadership requires functional and symbolic actions that embody personal convictions and demonstrate organizational commitments internally within the organization as well as externally to specific stakeholders and the public in general.

### **7.2.2 Public Accountability**

It is the nature of the marketplace to bring customers, workers, managers, and investors together in a voluntary exchange of goods. “This voluntary exchange for mutual benefit creates the ethical foundation of business and that is why business is ultimately justified to rightfully exist within a society” (Mackey 2007, Voluntary Exchange). In an important sense, the marketplace is a model of public accountability based on the value of goods and services in exchange, reflected in customer satisfaction, and translated in turn into demand and price.

The satisfaction of customers and the profits of vendors do not justify all actions by businesses, however, because the market often affects many persons and whole communities that are not directly engaged in buying and selling. A telling example regularly plays out in regard to mining and other extractive industries. The immediate parties in the local marketplace are the mining company and the owner of the land with mineral rights; in the simplest view of market place bargaining, these are the only two players. However, the mining operation impacts the surrounding community's roads, air quality, groundwater, noise levels, employment levels, and related businesses. The exchange of money for extraction rights commits a wide circle of stakeholders to cooperation and thus calls for equally broad circles of accountability.

Michael Porter and Mark Kramer (2011) have issued a call for the active engagement of for-profit businesses in creating social good. They are among a growing chorus of civic and business leaders who see the predominant value proposition of American business as short-sighted and ultimately destructive of the very resources and energy upon which businesses depend. In taking account of the resources being drawn upon and the results being produced that can reduce quality of life in the present and jeopardize future generations, Porter and Kramer (2011) emphasize first of all the voluntary engagement of the business itself. To account for these effects, businesses can incorporate the environmental and social costs of their operations into their value proposition and build a more solid foundation for continued profitability *and* the public good.

In many cases, however, businesses do not choose to undertake this kind of analysis and action. They depend instead upon local or governmental bodies to identify concerns and work out solutions. Within the executive branch of government, departments of planning, economic development, transportation, environmental quality, and others become engaged in evaluating concerns, validating claims, and working out solutions. In this way, the burden of public accountability has customarily been seen more explicitly in public administration than in business administration.

In recent decades, public accountability in government has seen a major culture shift, signaled with the publication of *Reinventing Government* (Osborne and Gaebler 1992), although it was efficiency—not ethics—that was the focus of this text. These authors welcomed the demise of the Old Public Administration model articulated by Woodrow Wilson (1887/1997), which was characterized by efficiency through hierarchical structures and a strict separation between policy-making and administration. In this old model, the legislature decided and administrators implemented. Ethical considerations on the part of administrators were limited to delivering faithfully on goals set by the legislature, leaving to legislators questions of justice and public accountability. The legislature, on its side, ensured ethical compliance through regulatory and reporting requirements.

The push for efficiencies in the 1960s, identified as the New Public Administration, maintained this separation between administration and policy-making (Radin 2006,

p. 96) while at the same time giving much greater latitude to administrators in the manner of implementation. This set the stage for Osborne and Gaebler's New Public Management which was explicitly modeled on the customer-to-business relationship, with government providing services to residents who were referred to as customers in the public marketplace. Administrators were seen no longer as mere implementers but as entrepreneurs and inventors in service delivery. The legislature still determined which results were expected but left it to administrators to figure out how to achieve these results most efficiently and effectively. From the legislature's point of view, its ethical obligations became embodied primarily in the outcomes expected rather than in the means employed. Administrators, still leaving matters of justice to the legislature, tended toward an ethic of "ends justifying the means." Both legislators and administrators entrusted ethical accountability more to the working of the marketplace—in this case, the satisfaction of residents—than to regulation. It was hoped that by the "invisible hand" of market pressures, service delivery would be guided to the most efficient and effective means to meet public needs and achieve the public good.

Despite the presumptions in the Old or New Public Administration models, however, administrators were never merely implementers. They played a large role in policy formation through their testimony to legislators, in the rules they wrote to implement laws, and in the way they shaped government programs by their manner of administration. Because this substantive role was not acknowledged, it did not enter into the sense of ethical obligation taught and expected on the part of administrators. In a manner similar to that of for-profit businesses, public managers left matters of justice to other players. The result was that as legislators relaxed their regulatory regimes and delegated oversight on means and ends to administrators—under the guidance of the impersonal marketplace—administrators did not assume this responsibility for justice.

This gap in public accountability was paralleled by a gap in political philosophy. Throughout the Modern Era, from Thomas Hobbes to John Rawls, the constitutional state rested on the useful fiction of a social contract, through which a hypothetical set of founders determined the basic rules for social cooperation, which were in turn embodied in a set of just institutions. Assured that the basic structure of society was just—especially representative government and a competitive marketplace—leaders trusted that the actions and outcomes of these institutions would reflect their just foundations.

As a basis for public consensus, the basic structure of the society suffices; it provides the necessary agreement for democratic governance. Beyond this basic political agreement, however, consensus can be lacking on such as matters of rights, liberties, basic needs, systems of merit, arrangements of opportunities, allowance for personal or media expression, and many other important values—including ultimate human destiny and meaning. In appraising a pluralistic society such as that of the contemporary United States, John Rawls cited perennial disagreement on values and morals as one of five general facts that are very unlikely to change (1996, p. 36).

Given this disagreement, an open conversation is needed to engage participants with opposing points of view. All too often in American society, the conversation

does *not* occur. It is well known that most persons tend to talk most with persons who agree with them, listen most to radio and other media with which they agree, and read most closely the authors and arguments they already support. In itself, this homogeneity of conversants is natural and enjoyable, and likely to persist as long as humans associate freely. As convenient as it is to avoid troubling conversations with those who disagree, however, in the public arena such conversations are necessary because these differences arise in oppositional stands on matters of policy, regulation, and the institutionalization of values.

We can easily cite numerous conflicts in the public arena in which closely held values rooted in personal, religious, or philosophical commitments compete in a struggle to shape public policy: examples might include opposing views on the definition of marriage, opposing solutions to the problem of gun violence, opposing theories of education and formulae for school funding, opposing proposals for balancing the federal budget, opposing concerns regarding the use of drones in the on-going battle with non-national revolutionary forces—indeed, opposing understandings of what the aims and limits of this battle are.

Agreement on matters of justice in public administration and business operations cannot be assumed nor ensured. Not only are we faced with different or conflicting worldviews, we are faced with disputes over facts: what evidence is credible, how much evidence is sufficient to convince, and what the available evidence says about the future. All four sectors—public, private, nonprofit, and civil—bear responsibility for building a just society, and leaders of organizations in all sectors have a duty to extend leadership into this public arena. Their leadership cannot be merely a matter of projecting their own personal or corporate values onto society. Rather, it must always be leadership expressed with public reason, open to public accountability, and interested in building the public good while at the same time respecting private ownership and diverse and deeply felt moral and cultural traditions.

It is common for courses in business ethics or public ethics to focus on personal integrity as the foundation for moral conduct, that is, moral accountability to one's own conscience. However, the more pressing problem from the perspective of the role of business in a just society is ethical accountability: public accountability to at least provisional agreement on a sense of justice. Consistent gaps in administrative and philosophical accountability create a situation of overlapping ethical weaknesses. Global networks are expected to operate in ethical compliance with national regulations, which are increasingly too limited to monitor operations and enforce sanctions. At the same time, legislators and public administrators continue down the path of deregulation in order to allow market forces to create pressures toward efficiency and effectiveness. In this same situation, global corporate networks work diligently to expand the areas of weakness and increase their independence from both legal and ethical enforcement mechanisms: lobbying diligently to further weaken regulations, conducting research and pursuing product development that outpaces government oversight mechanisms, conducting market research that links individual customers directly to products without intervening visibility to government, conducting competitive intelligence operations to expand advantages and diminish risks, threatening national sovereignty and prosperity—even solvency—by moving business operations to regions with the least oversight and most competi-

tive advantage, and promising stockholders that the primary consideration at all times will be (relatively) short-term bottom line profits. The challenges of public accountability are growing.

### ***7.2.3 Public Accountability on Matters of Justice***

The determination of business accountability for the social good—beyond legal compliance—cannot depend upon moral agreement on business obligations based on personal or organizational norms or a particular conception of justice. Although “there are indeed shared values to which we can appeal in most circumstances” (Gentile 2011, p. 123), moral disagreement on enacting these would obstruct attempts to reach a public definition of justice. Rather than appealing to “a single conception of the good,” businesses must evaluate their operations within “liberal democratic societies that permit, or encourage, a plurality of conceptions of the good” (Hampshire 2000, pp. 23–24). As Benjamin Constant (1816) pointed out 200 years ago, the collective moral agreement of ancient societies has given way to the affirmation of individual liberties, including the right to choose one’s own religious and moral priorities. The modern world is characterized by global, regional, ethnic, religious, communal, and personal moral diversity, and any attempt to establish a singular moral order could succeed only if imposed by “the oppressive use of state power” (Rawls 1996, p. 37).

To have legitimacy in the public arena, moral claims “must be able to pass the test of critical reflection and public deliberation; they must be based on intersubjectively justifiable standards of justice” (Wettstein 2009, p. 29). It is therefore imperative that business ethics education distinguish determinations of justice in the morally pluralistic marketplace from accountability to personal morals in accord with one’s individual conscience.

The inculcation of morals is a necessary part of individual human development within families, communities, and cultures. The authority of communal norms is felt long before moral values and practices are subjected to personal evaluation and choice. The moral authority behind embedded morals lies in the social networks to which people belong and on which they depend for affection, support, accountability, and protection, including their ideologies on how the world came to be, the nature of reality, and symbols of meaning (Naroll 1983, p. 390). These communal dynamics inform the conscience of each person, so that individuals can make judgments of right and good that conform generally to social expectations while at the same time allowing for individual perceptions and adaptations. The regulative power of morals is therefore always both social and personal, “the varied, problematic, partial, and unintentional production of persons through historical and biographical time, in a multiplicity of identities constructed and reconstructed through participation in social practice” (Lave et al. 1992, p. 257).

The moral diversity among primary normative reference groups in a pluralistic society results in a public arena in which the moral expectations of particular communities and traditions often differ. Nevertheless, these communities must achieve

enough agreement to enable the society-wide function of markets, property, security, and government. This requires a shift in accountability from morals to ethics: from the internalized morality of normative reference groups to the rational evaluation of morals under the standards of public reason. Ethics is therefore the regulatory mechanism that enables communities, organizations, associations, or jurisdictions to dispute about right and wrong or worth and value, seeking agreement for social cooperation based on the exercise of public reason. Personal moral convictions are essential to inform public debate, but public reason calls upon citizens to present evidence and arguments employing the “kinds of reasons they may reasonably give one another when fundamental political questions are at stake” (Rawls 1997, p. 767). The reasons given may arise from personal conscience or particular moral communities, but attempts to obligate the public on the basis of cultural traditions or personal moral convictions are subject to ethical challenge and require public validation (Schweigert 2011, p. 45). The aim must be to achieve agreement on a political conception of justice rather than a comprehensive conception of justice (Rawls 1996).

This agreement pertains not only to processes—the collective determination of rights to free and equal participation and fair decision-making—but also to the public duties related to social membership and whether or not social practices and institutions contribute or detract from human well-being. Justice is the work of the public body, as its requirements are worked out through deliberation. Once citizens have determined through authoritative public deliberation what needs are reasonable and compelling—in other words, what needs can be the basis for claims of justice—all members of society are accountable to these determinations, even if they differ from personal or communal moral convictions. At the same time, matters of justice cannot be settled once and for ever, because conditions and populations change, new information comes to light, and new communities or leaders bring new insights or assessments. Good order in the public arena must be established according to objective evidence and impersonal ethical principles that transcend communal morals and perspectives (Sievers 2010; Rawls 1996), without the expectation that these can ever be settled permanently. In this way, social unity can be preserved through conflict within a tradition of respectful disagreement and deliberation, as long as evils are reduced and human conditions gradually improve (Hampshire 2000, pp. 88–89). Indeed, conflict must be seen as a positive feature of public life, through which social expectations are clarified, problems are made visible, and citizens can exercise shared responsibility for public order (Christie 1977). “Even though ethical disputes are not settled once and for all, the attempts nevertheless define a just social order as best it can be understood” (Schweigert 2011, p. 45).

Business operations depend fundamentally on a political conception of justice in the public arena of the marketplace. Public reason and the determination of justice are therefore necessary elements of business ethics education, so that business leaders can participate meaningfully in defining and satisfying their social obligations.

## 7.3 Justice: Conflict and Agreement

Organizational morality and public accountability converge in social justice. Yet the work of justice is highly contested, and throughout human history a variety of authorities has been called upon to resolve disputes on matters of justice. Modern Western democracies have inherited this diversity: some citizens appeal to *tradition*, often as it is articulated by elders or passed from generation to generation in cultural practices or as common sense; some appeal to *divine law*, as revealed in sacred texts or the words of holy persons or divine spokespersons; others appeal to *natural law*, as it can be discerned in the workings of nature around us and within us; and still others appeal to *what works*—whatever it takes to get agreement or get one’s own way. These perspectives are often deeply held and the resulting disagreements are a permanent feature of our world.

It is not likely that the central disputes in moral philosophy will come to any satisfactory resolution soon enough to adjudicate pressing moral problems. Moral philosophy consists largely of the development and articulation of various enterprises in moral theory, and there are powerful voices urging that all these enterprises have serious flaws. Bernard Williams’ book, *Ethics and the Limits of Philosophy*, does deep criticism of all the major alternatives in moral theory, and leaves the reader at the end floating in deep water, clinging to a very small raft. One may not agree with all of Williams’ points, but the fact that a major figure in moral philosophy could write such a book, after decades of intensive debate among advocates of the major theoretic positions, suggests that perplexity and disillusion shadow the steps of even the most committed adherent of a particular moral theory. (Shea 2005, pp. 2–3)

### 7.3.1 *The Priority of Right and Ideas of the Good*

John Rawls placed priority on the basic liberties, which he listed in five categories (1971, p. 61), rather than on particular living conditions or other goods. He argued that if citizens have these basic liberties, they can make arrangements to provide for their other basic goods. Hence his emphasis on pure procedural justice, in which the fairness of the procedure and participation justifies the outcomes that are determined through the process. He was concerned, in part, that putting living conditions first could result in people trading their liberties for goods such as wealth, safety, or health.

Enrique Dussel (1997) argued for an alternative priority in his “philosophy of liberation.” He observed that prior to the articulation of basic liberties, “the reproduction and growth of human life is the first criterion of truth” (1997, p. 5). The basic liberties of Rawls and the rule of law in general have validity only because “a certain number of goods (vital, technical, economic, cultural, aesthetic, ethical, etc.) are subsumed by the participants thus creating a ‘common welfare’ that make the established order acceptable” (p. 13).



Rawls agreed that a certain level of material welfare was necessary for the exercise of procedural justice.

In particular, the first principle covering the equal basic rights and liberties may easily be preceded by a lexically prior principle requiring that citizens' basic needs be met, at least insofar as their being met is necessary for citizens to understand and to be able fruitfully to exercise those rights and liberties. Certainly any such principle must be assumed in applying the first principle (1996, p. 7).

Rather than attempt to refine an understanding of these basic needs, however, Rawls preferred to start from an assumption that those needs were being met. In that way, he was able to concentrate on the matters of political justice that seemed more pressing in well-established constitutional democracies.

Nevertheless, the emphasis on individual liberties has sometimes overshadowed the prior commitment to meeting basic needs. Bruce Sievers (2010) pointed to the wars of religion in Western Europe as the historical turning point toward focusing on individual liberties as the central commitment for modern political society. As a result, concern about individual basic needs and shared goods—"the commons"—was relegated to a secondary place in liberal political philosophy. As a result, Western democracies have given less attention to achieving shared conceptions of basic needs and common goods, and mechanisms to name and pursue agreement on such goods have been undertheorized, even though plentiful. In his tour of America in the 1820s and 1830s, for example, the French historian Alexis de Tocqueville observed many examples of provisional agreement on basic and shared needs at the local level, often organized through a variety of associations serving a wide range of purposes, from repairing a road to eliminating the consumption of alcohol (1835–1840/1990). Sievers' concern was not the lack of mechanisms for agreement but the reluctance to engage in the necessary deliberation to reach agreement on the public good.

Although it seems clear from experience that the stability of society depends upon the material conditions of the people in a fundamental way, the U.S. Constitution and public commitments have remained committed to the priority of right. Disputes about justice, however, often turn on matters of social equity, in regard to both procedures and substance. Procedural equity "pertains to the fairness of a decision-allocation process, while substantive...focuses on policy effects in terms of cost and benefit distributions" and other allocations of tangible and intangible goods (Guy and McCandless 2012, p. S9).

### 7.3.2 *Diverse Views of Justice*

As Rawls observed, value *pluralism* is a global fact of life: people hold different comprehensive understandings of what is good and just. For some people, these conceptions of the good are religious beliefs about goodness and salvation; for others they can be entirely secular definitions of a good life, such as veganism or libertarianism. In focusing on political justice, however, Rawls' greatest concern was not

conflicting comprehensive conceptions of the good but rather the danger that some ideas of good could conflict with basic liberties. This, he believed, endangered the basic structure of society and the fair terms of cooperation among citizens. For example, in some ideas of a good society, women would not be allowed to hold public office. Rawls admitted that people in a liberal society may hold a view like this, but it would be impermissible to make that view a part of the basic structure of society. To do so would endanger the basic liberties of some citizens—women, first of all, but also other selected subgroups that could be restricted for similar category/identity reasons.

By Constitutional guarantee, Americans are free to hold and practice their diverse beliefs: this is called *liberty of conscience*. Americans are also free to bring their personal or religious values into public debate, but the state cannot impose these values on behalf of a particular religion: this is our commitment to *state neutrality*. These values of liberty and neutrality were worked out in the resolution of religious conflicts in Western European society and embodied in early American conceptions of political justice, thus finding their way into state constitutions and then the U.S. Constitution. More specifically, liberty of conscience and state neutrality achieve three goals summarized by Charles Taylor (2011, p. 19): (a) protecting people in their practice of their particular views, (b) treating people equally regardless of their particular sets of beliefs, and (c) giving everyone a fair hearing in the public arena.

Liberty and neutrality establish at least a basic level of agreement on fairness, which is essential for public accountability and central to the project of establishing practical criteria for determining fair processes to evaluate just and unjust claims in a constitutional democracy. In Rawls's language (1996), this level of agreement provides a political conception of justice as our working understanding of the right relationship between freedom and equality, and taken together, these principles provide a framework for the basic structure of society—a federal constitution, the rule of law, democratic elections, a fair system of representation, and similar basic structures. Even though citizens may not fully agree on all aspects of this conception of justice, there is enough agreement to achieve an overlapping consensus of support (Rawls 1971, 1996).

Within the framework of the political conception of justice proposed by Rawls, citizens can introduce values and ideas from their comprehensive moral doctrines, proposing these as possible sources for public policy and the resolution of disputes regarding the justice of business operations. Such moral doctrines cannot be imposed without violating the freedom of other citizens, but if they can be expressed in reasonable terms, they might be adopted by the majority and integrated into the political conception. Something like this occurred over the last 50 years when persons concerned about climate change grew from a sliver of concerned environmental activists to become a global consensus on a central matter of justice today, and when marginalized advocates for same-sex marriage gradually drew support from across the political spectrum of society.

Agreement on an abstract conception of political justice is still a long way from providing sufficient guidance to manage the diversity of claims and viewpoints on business operations and their effects in local communities. In practical terms, the

first step in public deliberation is diagnostic: figuring out what kind of issue we are facing. For this purpose, I propose a three-part conceptual framework of public, procedural, and distributive justice to serve as a diagnostic tool to distinguish the varying demands of justice in the public arena (Schweigert 2007, pp. 397–398). Note that matters of criminal justice are not included in this three-part framework, not because dealing with crimes is irrelevant to public ethics but because matters of basic justice have a certain logical priority: the definition of right and good in procedural and distributive justice provides a basis upon which violations can be identified and enforced. It is a testimony to Rawls' confidence in achieving an overlapping consensus on basic structures that a variety of processes and procedures already exists to address violations, as well as rich traditions of ethical reflection in rectificatory justice, restitution, reparation, retributive justice, and restorative justice (Schweigert 1999).

*Procedural justice* revolves around two basic conceptions of right action: respect for the dignity and obligations of others, and fairness, which rests on mutually acceptable understandings of equal access and participation in determining the social terms of cooperation. This is the ethics of right, which establishes an orderly society informed by a sense of respect and equality. Basic human tasks such as rearing children, securing families, conducting business, and governing public affairs require a great deal of social cooperation to proceed effectively. Such cooperation fails if members of the society lose confidence that they can participate with dignity and with equal participation and fair rules for establishing mutually binding commitments. Even in the simple case of a single buyer and single seller, exchange breaks down if the parties involved lack the fair opportunity to negotiate and a shared expectation of standing by agreements made.

*Distributive justice* is often the most contentious aspect of justice in a pluralistic society because definitions of the good and questions of the allocation of resources and services frequently involve painful inequities or fundamentally different conceptions of value. This is the ethics of the good, concerned with matters of “intrinsic value” or deeply held beliefs regarding human needs, human community, and human destiny. Distributive justice defines justified responses to claims regarding human needs, both the basic needs of survival and the personal and the social need to thrive and to experience well-being. As such, a sense of just distribution depends directly upon an understanding of human nature and the meaning of human community. These understandings are frequently informed by ethnic, religious, and communal traditions as well as by empirical studies. Despite this diversity of sources, differences in such conceptions do not rule out agreement on basic human features and the ability to distinguish human needs that rise above universal animal requirements for food, shelter, security, and reproduction. Even very diverse communities can agree on a set of needs and requirements of well-being that are broadly shared. Social cooperation depends upon satisfying demands for just distribution of basic goods and services. This becomes much more difficult, of course, where differences in understandings of value are compounded by inequities in power and wealth, resulting in a status quo that some members of society see as already a failure of distributive justice.

*Public justice* has two aspects: (a) duties of office that are delegated to a person exercising a public office in the public trust and (b) duties of profession, the obligations and ideals embraced by a person entering a profession operating in the public arena for the public good—standards of practice, values of public service and benefit transcending client interests, and the dignity of the profession and its members. Offices belong to the community, not to the persons filling them; they are created for the community’s benefit, and appointed or elected office-holders hold their offices on the community’s terms. Similarly, the various professions have developed to serve the public and not merely as a means for self-advancement; they are marked not only by expertise but by commitment to a set of “transcendental standards”. Whereas procedural justice addresses social cooperation generally and distributive justice addresses needs and thriving common to all humans, public justice is limited to commitments established and recognized by a public—a commercial, communal, or political entity such as a business, a neighborhood, or a government. Even thus limited, offices and professions are pervasive: even in small informal communities, attention structures develop and certain individuals are recognized as having certain authority or responsibility for the group. In formal structures, offices are accompanied by position descriptions that define what service is expected and professions are established according to goods and services that are expected. In both cases, these expectations are often codified in writing and reinforced by credentials and rituals of investiture, and the persons designated commit to certain standards of quality and—especially in the case of professions—ideals of behavior in general and performance of services specific to the profession.

These three kinds of justice are interdependent components in a three-part framework of justice for the practice of public ethics and the exercise of public accountability. Two other concepts are essential to the framework: public reason and the public good.

### **7.3.3 *Public Reason and the Public Good***

*Public reason* specifies the requirements of rational and reasonable discourse in the public arena. To be rational, discourse or arguments must proceed according to logical steps from premises to conclusions, from means to ends, or from ends to means. To be reasonable, discourse or arguments must appeal to evidence that is available to others or verifiable by them, appeal to values that are held in common or at least understandable to others, be open to modification in light of additional or corrected information, and expect no more from others than the speaker would consider acceptable if he or she were in the others’ place. When one considers the great variety of human interaction, these requirements seem overbearing and highly restrictive; but note that they apply only to public speech in the public arena, where matters of justice must be determined. Hence, these are requirements of public reason but not of reason in general.

*The public good* can be distinguished from common goods and the private good in accord with the criterion of “good for whom.” Private goods are controlled by individuals for their own purposes and benefits: their acquisition of these goods excludes others from acquiring them, and their consumption of these goods prevents others from consuming them. In contrast, goods are common to the extent that they are valued and shared by some group, and thus to some extent held, consumed, and enjoyed in common. Public goods are similar to common goods in that they are held in common, but they are valued by and benefit the whole public, including both individuals and groups residing within the geographical and jurisdictional boundaries of the public. It is easy to see that some goods can be seen in all three dimensions. An educational credential such as a high school diploma is a private good in its benefit and belonging to the individual holding it, but it is also a common good in potential benefits to that person’s local community or workplace, and it is a public good to the extent that benefits accrue to the public as a whole. The three-part framework of justice presented here is designed in reference to the public good, to which the highest standards of procedural, distributive, and public justice apply and where the requirements of public reason are most essential.

Despite the desire to keep this framework simple, there are complications embedded in the terms. Caveats could be multiplied in great number, and if this framework were to come into frequent use, a body of literature would inevitably emerge to deal with them. At this point, it is sufficient to mention three concerns that are sure to arise in practice, to illustrate the nature of the complications: (a) the exercise of procedural justice will be conditioned by customs of public process in the local area; (b) the exercise of distributive justice will be conditioned by understandings of alternative justifications for a just distribution; and (c) the exercise of public justice will be conditioned by latent norms underlying their enforcement. Each of these will be addressed in turn.

In regard to procedural complications, human interaction very quickly becomes routine, and the routines accepted in public affairs set the parameters for the design of public processes and the exercise of procedural justice. Some communities will take it for granted that public processes follow the dictates of majoritarian voting according to formal motions, guided by some authority such as *Roberts Rules of Order*. Other communities handle public affairs very effectively using circles and consensus, and yet others depend upon appeals to authority and arbitration. One could argue the relative advantages of these various methods or make a good case for the advantages of a wise mastery of a full repertoire of methods. However, once a method has acquired broad acceptance and community members have invested energy in learning and using it well, it may understandably become the most common method in use. This would be the common state of public affairs. Hence, the exercise of procedural justice requires a working knowledge of the local methods of public process, with an openness to improvements and a critical eye for ensuring the fairest use of the method.

Distributive justice is complicated by long experience and traditional patterns and responsibilities in meeting human needs—and long-standing safeguards against common aberrations in a fair allocation of goods. Two prime examples

can be examined to briefly illustrate this complex concern: favoritism and free riders. Both are threats to a just distribution of goods or services, but in differing ways. Favoritism appears when one member is given more, without a rationale acceptable to the larger group and without regard for others having enough. Free riders appear when goods procured by the group are distributed to members without regard for their level of contribution to the procurement. There are various ways to address these concerns, but one commonly used is to distribute according to merit: allocating goods in a measure proportionate to the level of contribution to procuring them or to level of need agreed upon. This illustration raises new questions, of course, such as how merit is determined, who assesses the levels of contribution or need, and what limits are accepted to make sure that basic needs or communal securities are provided for. Just distribution can never stand alone without fair procedures to determine the allocation; similarly, fair procedures can never stand alone without regard to just distributions and meeting basic human needs.

Public justice depends to some extent on the established codes of conduct and ethics that guide most professions. These codes define explicit norms that are taught in the professional schools, promulgated and often enforced by professional agencies, backed up by corporate compliance officers or human resources departments and supervisors, and ultimately liable to legal enforcement and adjudication in court. All these means of teaching and sanctioning employ the explicit norms as defined and codified in the profession or in the law. In practice, however, within organizations and professions, these explicit norms rest upon latent norms—the background experience and informal rules according to which members of the profession interpret the explicit norms and thus actually carry out the work. In many cases, the latent norms are linked to values such as efficiency, loyalty, quality of outcomes, the common good, collective pride, self-preservation, or self-promotion. Formally, the explicit norms apply as written, but informally, latent norms preserve values which should not or may not be sacrificed for the sake of following the explicit norms exactly. In all cases, the explicit norms must be interpreted to fit the situation, which results in latent norms of application. In some cases, practitioners must bend the norms in order to comply with the spirit of their intent, in the same way that Aristotle argued that justice had to be bent like a leaden ruler to follow the uneven surface of a stone wall (Aristotle, trans. 1925; Bk. V. 1137b). In organizational theory, bending the rules in order to serve the organization's purpose is called "official corruption," as opposed to "personal corruption" which refers to bending the rules to benefit the individual doing the bending (Gregory 1995, p. 67).

## 7.4 Principles of Public Deliberation

We are accustomed to seeing courts of appeal and legislatures at national, state, and local levels engaging in public debates on policy issues, often with appeals to justice. At times, we hope, these are venues for deliberation as well as debate, which is

essential to a representative democracy and the determination of justice. However, it is not enough to leave public deliberation to such government bodies alone. There is also need for public deliberation in civil society where citizens can be more directly involved and where matters of justice can be resolved through civil agreement rather than law.

Along with other institutions operating in the public arena, businesses share responsibility for understanding, prioritizing, and achieving the social goods needed to address pressing social issues such as the use and preservation of resources, environmental sustainability, avoidance of systemic risk in capital markets, and fair allocation of goods and services. To deserve credibility and legitimacy, the responsibilities of public deliberation must be carried out under the standards of public reason. It is therefore clear that in order to achieve more robust public deliberation on matters of justice, institutional leaders must be prepared to participate in and facilitate these deliberations.

Several general concerns must be identified and addressed to set the stage for effective public deliberation. Most fundamental is the fact of public disagreement and how it can be managed or accommodated without having to abandon deliberation out of sheer frustration. Second, more specifically, there is wide disagreement regarding the meaning of justice and which conception of justice should be employed to guide deliberation and evaluate the process and results. Third, public deliberation is already established as part of a democratic representative model of government, and public deliberation outside of government must be differentiated from and yet related to governmental deliberations. Fourth, general principles of public deliberation should be specified to guide the development of models of deliberation.

There are many models of public deliberation available, and it is conceivable that any of these might be adapted to good use in deliberation on the justice of business operations and their effects on individual stakeholders and communities. The three levels of activity presented here merely lay the groundwork for further development, without intending to limit thought. Indeed, the levels presented here lack the procedural specificity that would be needed to make the processes workable; the point is rather to establish basic considerations for such particular developments.

It is essential in resolving disputes or solving problems at the local level that there is institutional support at higher levels of society. It is true, as argued in the community justice movement, that people gathering on their own at the local level are self-authorizing (Christie 1977; Chavis 1997; Pranis 1997). Nonetheless, in many cases, local deliberations on matters of justice require institutional recognition from above. For example, district or neighborhood councils can meaningfully deliberate on local housing plans and zoning variances because their deliberations are expected and respected by the city council. Such examples are everywhere in relations between different levels of government and between civil society and government. Conversely, formal institutions attempting to address local issues can engage or sponsor deliberations at a local level to seek solutions and increase credibility. Restorative justice provides a ready example: a local victim offender conference is convened under the agreement of local police, local courts, or local schools—each of which can serve as an authorizing institution. This relationship

between different levels of society is known as subsidiarity—the principle of social organization in which solutions are generated at the lowest and most local level possible, with recognition and resourcing from higher levels (Schweigert 2002b).

### 7.4.1 *First Level—The Language of Justice: What Matters?*

Public deliberations on business responsibilities in the public arena could be convened by persons within the business, by concerned citizens in the community affected, or by some local jurisdictional office or body. The initiating step depends upon the consciousness of participants regarding what kinds of concerns matter and could be addressed in deliberations. In this regard, social movements or advocacy groups can raise the level of consciousness and thus lay the conceptual groundwork for the concerns that inspire and extend public deliberation (Freire 1970/1995). When one thinks of the great historical movements for change in the U.S., such as women’s suffrage or the abolition of slavery, there was widespread disagreement on the need for change or the value of keeping things as they were: so-called common sense assumptions were not common to all. In many cases, value or class assumptions are not clearly articulated, but taken together they comprise what Jurgen Habermas (1985) called our lifeworld: the “*preinterpreted* domain of what is culturally taken for granted” (p. 125; emphasis in original). Once we begin to examine these ways of thinking, we discover that we already have a stock of preinterpreted understandings of the world: “a culturally transmitted and linguistically organized stock of interpretive patterns” (Habermas 1985, p. 124).

Abolition, temperance, conservation, women’s rights, organized labor, civil rights, environmentalism, and many other movements for change have called for new ways of thinking as a basis for change in policies and practices. In our society with its emphasis on individual rights, movements for social change are often articulated and defended in terms of individual rights and liberties. More recently, following international declarations, conceptions of human rights can easily arise in consideration of the justice of business operations. In many cases, talk of rights arises regarding access to or equality in human goods: health, security, wealth, education, and quality of the environment—all matters that are often central to business ethics as justice. This was the sense in which Franklin Roosevelt articulated eight economic rights which, he believed, had already been acknowledged as “self-evident” in the decisions of Congress and the direction of social policy: “We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all regardless of station, race, or creed” (1944).

Claims of rights depend upon agreement that the object of the right is indeed a valid need. Various disciplines can play important roles in validating needs and resources, ranging from statistical population studies to verify that a portion of the population is adversely affected to qualitative investigations and dialogues to understand the nature of the concerns and how particular persons or categories of persons are affected. Advocacy groups or organizations play important roles in convening



these discussions, commissioning studies, vetting witnesses, and communicating information and policy positions. The route to validation of human rights depends upon whether or not the affected parties or advocates are seeking to establish legal rights or ethical rights. Jeremy Bentham, a mid-nineteenth century reformer, believed that certain misguided philosophers in the preceding centuries invented human rights—which he considered an entirely unnecessary and confusing idea. He much preferred to stick with *legal* rights defined in law.

In contrast, Amartya Sen (2009) has argued vigorously for recognizing *ethical* rights: certain freedoms and social obligations that should be respected—even if they are not legally enacted—because they meet the test of public scrutiny as essential to human thriving. An earlier analysis by Sen (1999) made the case for public investments to increase freedom because of the very important impact those investments can have.

No substantial famine has ever occurred in a democratic country—no matter how poor. This is because famines are extremely easy to prevent if the government tries to prevent them, and a government in a multiparty democracy with elections and free media has strong political incentives to undertake famine prevention. (pp. 51–52).

It seems intuitive that discussion on ethical rights would precede codification of rights into law. Such a discussion could engage local citizens, organizations, service providers, researchers, educators, and advocacy groups in order to clarify claims, weigh competing or contradictory claims, identify affected parties, and refine the language defining the aim and boundaries of the rights in question. With consensus in nongovernmental circles, it would be easier to move to formal enactment at the policy and legislative levels. Even so, there is frequently great resistance to claims of rights, because they must be accompanied by definition of responsibilities and duties to serve the rights—often at public cost and frequently involving uncomfortable social change. One need only witness the long history, ultimately unsuccessful, to gain passage of an equal rights amendment for women.

### ***7.4.2 Second Level—The Logic of Public Deliberation***

In recent decades, models of deliberation have been revived or developed to resolve disputes that are not yet governed or determined by law. Some models draw upon ancient sources such as African village moots, American Indian peace-making circles, Maori family conferencing, and other long-standing traditions of local mediation. Other models have been developed to meet modern needs such as labor negotiations, marriage and divorce arbitration, and restorative justice (Schweigert 2002a). The key to the success of these processes is that participants in conflict and with high levels of distrust in each other can instead trust the process and thus work together to solve problems affecting both of them. The facilitator, mediator, or circle keeper—depending on the deliberative structure in use—performs a key role in convening the deliberation in a way that establishes trust in the process. Within this environment of trust, participants can voice the hurts and hard truths that divide them, look for points of common interest, experience moments of shared empathy

and compassion, and sometimes experience forgiveness and renewal. In all cases, the aim is to arrive at workable solutions upon which all parties agree and to which all affected parties are held accountable.

We often experience social problems as personal injuries: discrimination in the workplace, crime on the street, segregation in housing, unemployment, lack of access to health care—the list could go on. If we feel powerless at the local level, we imagine help can only come from outside. We may imagine that only powerful external institutions can protect us from what we fear. On the other hand, “When people begin to see in themselves the capacity to end their own hurts, to take control of their lives, they gain the capacity to tap the democratic resources in their heritage” (Evans and Boyte 1986/2003, p. 263). These democratic resources are the capacity to listen, to bridge across differences, to lead and facilitate cooperation, to forgive and rebuild positive social connections—ultimately, to put into place mechanisms that can outlast their originators and provide for more just conditions of life.

Public deliberation is based on respect for individual liberties in its processes and the requirements of reciprocity in its outcomes. The *respect for liberties* assures participants that they will be able to participate with dignity, equality, and freedom of expression within normal limits and they will have a voice in considerations of evidence and generation of solutions. *Reciprocity* requires that solutions reflect contributions of the parties involved, in accord with their abilities and resources, their share of responsibility for current conditions, and the level of impact conditions and solutions may have on them. It is the nature of deliberation that each is accountable to all (Gutmann and Thompson 1996, p. 128). The focus of dialogue is not the status of the parties, but the giving of reasons (Gutmann, et al., p. 142), to which all can contribute and to which all can be held accountable. Indeed, it is the nature of reasons that they are backed up by explanation and evidence, and the rules of evidence must meet the requirements of objectivity (Rawls 1971).

A great deal of thought and experimentation has been devoted to developing and refining the conditions and norms for deliberation, often expressed under the heading of “deliberative democracy.” Great care is necessary in establishing the social space for public deliberation because the parties involved often approach the exchange with very low mutual trust—hence, trust in the process itself must substitute for inter-party trust, at least at the beginning. Because of mutual mistrust and even animosity, there is always a risk that deliberation will degenerate into demonizing the other side or disregarding its point of view. It is therefore essential that the norms of deliberation can ensure a standard of reasonableness, so that the parties involved can “consider seriously all sides of the issue and all the relevant value positions of those affected by the decision” (Dzur and Olson 2004, p. 101).

Three agent-level norms in particular serve the overarching goal of reasonableness. The norm of rationality directs participants to argue for their positions with publicly accessible reasons and evidence. The norm of respect holds deliberators to standards of conduct: they are to put arguments in terms others might possibly accept, and in turn, they are at least to give a serious hearing to the well-reasoned and factually supported arguments of others. A third norm, integrity, constrains deliberators to make only those arguments they themselves

hold to be true or choice-worthy, to accept the consequences and implications of those arguments, and to apply them to their own case. (Dzur and Olson 2004, p. 101)

Such norms make it possible for the parties to participate without compromising their dignity. Nonetheless, any entry into deliberation exposes the parties to some level of risk, both in the process and in the outcomes.

A primary risk in the process of deliberation is loss of face due to the presentation of embarrassing or previously hidden information. Because of the tremendous power of shame in social relations, it is essential to minimize this kind of exposure by advance notice to the affected parties and by directing the weight of revelations toward achieving the mutually agreed-upon goals of the deliberation—and not toward denigration of the opposing side or the individual exposed.

This points to the second area of risk in regard to outcomes—both those expected and those achieved. Expected outcomes should be defined in advance in establishing the agenda for the dialogue. One important choice is to name the kind of outcome being sought. The focus of this book is the pursuit of justice in business ethics, but in many cases participants in deliberations focus instead on the pursuit of self-interests, the conversion of the other party, increased visibility for particular concerns, or simply learning and raising awareness. Learning can be a critically important goal in terms of setting the stage for future cooperation, and the risk is relatively low. A goal of conversion, on the other hand, can create a high-stakes situation in which one side can be satisfied only with the total capitulation of the other side. The pursuit of interests can easily shift the process from deliberation to bargaining if the parties care only for advancing as much of their own interest as possible, but it is also possible to seek out shared interests and pursue mutually advantageous outcomes.

The pursuit of justice puts emphasis on the justification of the outcome, not only for the parties currently and directly involved but in the larger arena of justifiable moral claims, invoking the criteria of reciprocity and generality. The motive is not the maximization of one's own interests—or even the interests of the other—but rather to discover “an awareness of the fundamental practical insight of reason that one owes this to others, and...to oneself” (Forst, 2007/2012, p. 37). The parties therefore enter the dialogue on “equal moral footing” as members of a “moral community of justification” to seek together “justifying reasons for actions” (pp. 37–38). The logic of deliberation for justice therefore requires a willingness to give reasons for actions expected of persons who are autonomous and responsible. The aim is to discover an “awareness of the ought” which all parties can see as valid through a “moral insight” (p. 53).

## 7.5 Conclusion

Governments can intervene on the basis of human rights to support the instrumental freedoms that build capacity for social betterment. In a democratic state, just processes exist to turn public resources toward just outcomes such as more equitable distributions of goods and services that provide opportunities for all citizens to improve the conditions of their lives.

Bruce Sievers (2010) proposed that professional philanthropy, both individuals and foundations, should aim to strengthen civil society and build capacity for collective action, including mechanisms for deliberation and civic engagement. It falls within the scope of his proposal to engage foundations in convening and facilitating local deliberations on business operations and in monitoring and communicating follow-through on agreements. Foundations are important institutions locally, regionally, and nationally and can play an important—even pivotal—role in leveraging the participation of government, private industry, and civil associations in matters of mutual concern. With their independent resources, foundations can convene other institutions from a position of neutrality and lay out agendas for discussion, provide for research and participation, and test possible solutions.

In the final analysis, deliberations on justice in the political arena will always be open to further clarification and correction as new evidence or new understandings are brought forward (Rawls 1996; Hampshire 2000). We see this happening in reconsiderations of the relationship between economic well-being and environmental respect and preservation. For many decades, these concerns were understood as trade-offs: greater care for the environment would mean less economic development or greater economic cost. This consensus no longer prevails, now that extreme weather events seem to be occurring more frequently and wreaking havoc on low-lying islands in the Pacific, extended droughts in many places on the globe, and destructive storm patterns accompanied by coastal flooding. The publication of *Laudato si [On Care for Our Common Home]* (Francis I 2015) stands as an indicator of the broad realization that environmental degradation can be linked to greater economic hardships, especially for the poor. This new understanding triggers a new call for further deliberation.

Public deliberation is not a search for a moral law that exists outside the dialogue and can be known in advance. It is rather a search by the parties involved for an insight into the obligations which are binding upon themselves and others as these obligations can be perceived in the current situation by shared moral insight. Of course, there is continual attraction to guard or pursue one's own interests, but these motives must be distinguished from deliberation on matters of justice.

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# Chapter 8

## Moral Education in the Pragmatic Pursuit of the Good

**Abstract** The best-known approaches to moral education can be broadly described as the cognitive-developmental approach associated with Lawrence Kohlberg, character or virtues education, and values clarification. To these a fourth should be added, based on the extensive contributions of John Dewey, to be called the *pragmatic pursuit of the good*. The pragmatic approach fosters and guides moral learning in the context of a moral community that is engaged in building a better world through democratic processes. In the pragmatic pursuit of the good, the moral community plays a vital role in nurturing moral character, moral values, and a recognition of the good to be achieved—including the public good, which requires going beyond the moral community in cooperation with other communities and the public at large. Defining and achieving the public good requires the cultivation of democratic participation and open, empirical investigation. In keeping with John Dewey’s philosophy of education, the overall aim is movement toward growth in opportunity, unity, and harmony: every deliberate choice is a moral opportunity to choose the good—the better option in view—and thus a moment of moral growth and achievement.

**Keywords** Moral philosophy • Moral education • Practical morality • Pragmatism • Moral habits • Virtue • Deliberation • Democracy • Means and ends • John Dewey

### 8.1 Introduction: Dewey’s Approach to Human Betterment

John Dewey’s commitment to social betterment pervades his work. In true progressive spirit, he remained convinced throughout his career that the introduction of scientific thinking and experimentation in social situations would increase human control over social processes and lead to improved conditions for living, in the same way that the natural sciences had expanded control over the natural environment and transformed industry, transportation, communications, warfare, medicine, and

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agriculture. What stood in the way of this progress were old habits of thinking in regard to human nature that obstructed clear and objective thought and—not entirely innocently—protected vested social interests and class disparities. Classical and medieval philosophies had bequeathed to the modern age two divisions in thought that Dewey considered no longer defensible that but were locked into place in habits of discourse and education, perpetuating class interests and obstructing human betterment: (a) the separation of morals from other areas of knowledge and practice, and (b) the conception of the human person without sufficient recognition of the social nature of human beings. Section 2 of this chapter provides a brief summary of the origins and persistence of the separation of morals from other areas of life, concluding with Dewey’s argument for a practical morality. In Sect. 3, Dewey’s philosophy of the human person is presented as a way to recover the social significance of morals in action. Section 4 turns to the question of education, exploring how Dewey’s practical moral theory could ground a more effective approach to ethics education that would support the knowledge and practice of a pragmatic pursuit of the good. Taking full account of the ordinary moral pressures in business operations requires an expansion of business ethics education from individual moral formation to the pragmatic pursuit of the good.

## 8.2 Recovering a Practical Theory of Morals

Morality, for Dewey, referred to all human activity that requires a choice among alternative possibilities, for all such choices raise the question of which course of action would be better.

The foremost conclusion is that morals have to do with all activity into which alternative possibilities enter. For wherever they enter a difference between better and worse arises. Reflection upon action means uncertainty and consequent need for decision as to which course is better. The better is the good; the best is not better than the good but is simply the discovered good. (Dewey 1922/2008, p. 187)

Human existence, as Dewey saw it, was “precarious and perilous” and “fundamentally hazardous” (Dewey 1929, pp. 38, 40). Therefore, “man fears because he lives in a fearful, an awful world” (Dewey 1929, p. 39), and the precarious character of existence requires every organism to steer its way through the hazards of the situation toward what enhances its life. All living things must maintain themselves through continual renewal, acting on their environment and readapting their lives to succeed in it (Dewey 1916/1966, pp. 1–2). The quality of life and indeed survival itself depend upon the quality and direction of adaptations: at times changing the environment, and at times changing one’s own place and practice within the environment. Humans have no choice but to act and adapt in order to survive, adjusting to their ever-changing environment just as every part of nature must adapt (Dewey 1929, p. 335).



Faced with a precarious existence, human beings from the beginning sought ways of acting and thinking that would increase their sense of security. These elements of knowledge appeared at the dawn of history in the symbolic practices of religion, drama, and poetry—preserved through many generations as social habits of thought and performance. A major shift in Western European thinking occurred when the ancient Greek philosophers responded to increasing doubts about the value and function of traditional religious practices. Prompted by a conservative impulse to salvage the heritage of religious tradition from contemporary challenges, Plato and his followers offered knowledge as a substitute for tradition, logic and proof as substitutes for religious certainty, and universal comprehensive concepts as substitutes for the eternal gods (Dewey 1920/1948). For the next 1500 years, their conceptualization of knowledge and truth as divinity persisted, conceived as unchanging and eternal—the unchanging truth as in Aristotle’s “Being which never changes” (Dewey 1929, p. 44).

Although this static conceptual framework persisted in religion and morals, Western European societies continually experimented with ways to expand their control over the natural environment with innovations in engineering, transportation, architecture, and manufacturing; they experimented as well with ways to expand the reach of social institutions through banking, exploration, and education (Stark 2005). This gradual progress accelerated rapidly in the sixteenth and seventeenth centuries with inventions in navigation and the simultaneous expansion of geographical knowledge through global exploration. Encounters with previously unknown civilizations posed new challenges to longstanding assumptions of European and Christian superiority and authority regarding social conditions and human destiny. At the same time, long-standing disagreements within Christianity on the role of clergy, the meaning of sacred scripture, the process of sanctification, and the relationship between secular and religious powers exploded in a crisis of division among Catholic, Protestant, and Anglican denominations. Instead of abandoning the old conceptual framework for morals, however, religious leaders and philosophers struggled to preserve the old conceptions of unchanging certainty in new language.

Dewey objected to this long-standing division of reality into eternal and temporal, which he felt left in place, in many cases, rigid social stratification and human miseries. He pointed to Immanuel Kant’s work in moral theory as an example of such preservation, replacing eternal divine commands with a conception of an equally eternal moral law based on the regularity and universality of reason, thus explicitly separating the determination of moral duty from empirical investigation and the changeable realities of sensation (Dewey 1922/2008, pp. 162–163, 1929, p. 45). He saw the same conceptual rigidity in social theory, where Herbert Spencer converted Darwin’s empirical discovery and demonstration of continual evolution through natural selection into a “fixed and universal equilibrium” (Dewey 1929, p. 45)—confirming the superiority of those in wealth and power as a fact of nature and a binding natural law (Dewey 1922/2008, p. 202). Philosophical theories such as this exempted morals from scientific investigation and knowledge, so that the possibility of progress in human welfare and social justice was slowed or deferred. Dewey protested that “our science of human nature in comparison with physical

sciences is rudimentary, and morals which are concerned with the health, efficiency and happiness of a development of human nature are correspondingly elementary” (Dewey 1922/2008, p. xxi).

Nevertheless, Dewey saw tremendous potential for growth in understanding through the new sciences of psychology and sociology, and he pressed forward with a reform agenda for education that would incorporate this new knowledge into greater freedom: increased efficiency in action, increased capacity to improve human affairs, and increased personal choice in pursuit of human desires (Dewey 1922/2008, p. 203). “Morals must be a growing science,” he argued, seeking new principles to guide human behavior based on “methods of inquiry” rather than fixed moral laws, employing scientific hypotheses rather than rigid formulas, and seeking new empirical generalizations rather than remaining content with inherited eternal truths (Dewey 1922/2008, pp. 158–160).

It was especially clear to Dewey that a renewed morality was needed in business affairs to challenge the fallacy that all economic activity was driven by self-love and a fixed acquisitive instinct (Dewey 1922/2008, pp. 86, 90). The key question in regard to business, he thought, required going beyond admiration for the ingenuity and energy of commercial enterprises to ask

why it is that so much of creative activity is in our day diverted into business, and then ask why it is that opportunity for exercise of the creative capacity in business is now restricted to such a small class, those who have to do with banking, finding a market, and manipulating investments; and finally ask why creative activity is perverted into an over-specialized and frequently inhumane operation. (Dewey 1922/2008, pp. 92–93)

Appeals to traditional moral ideals carried very little weight in the face of “love of power, of desire to impress fellows, to obtain prestige, to secure influence, to manifest ability, to ‘succeed’ in short under the conditions of the given regime” (Dewey 1922/2008, p. 92). These powerful ambitions prompted many thinkers to assume that self-interest drove all human decisions and that moral progress was unrealizable in human life. At most, they thought that morals might dampen the power of self-interest from time to time, but that inherent drives and the general course in human activity would be toward individual advantage, acquisition, and dominance of others.

Dewey strongly objected to this view of human nature as contrary to empirical observation: avarice did not, in fact, govern all human affairs. Rather, the promotion of avarice and dominance was a self-serving creed supported by old habits of thought and long-standing social stratification, especially in economic life:

There is doubtless some sense in saying that every conscious act has an incentive or motive. But this sense is as truistic as that of the not dissimilar saying that very event has a cause. Neither statement throws any light on any particular occurrence. [...] Those who attempt to defend the necessity of existing economic institutions as manifestations of human nature convert this suggestion of a concrete inquiry into a generalized truth and hence into a definitive falsity. They take the saying to mean that nobody would do anything, or at least anything of use to others, without a prospect of some tangible reward. (Dewey 1922/2008, p. 74)

Dewey refused to accept this portrayal of human economic activity as merely a “calculated pursuit of gain,” arguing instead that economic decisions were part of the complete fabric of life and responsive to “a complex social environment involving scientific, legal, political and domestic conditions” (Dewey 1922/2008, p. 146).

To say that the impulse to survive was inherent in human life did not mean all activity was self-interested as opposed to socially cooperative or generous. It meant instead that self-interest, cooperation, and altruism could be investigated empirically for better understanding of the social conditions that supported these orientations, opening the way to a moral program of social invention, experimental engineering, and education leading to effective reform (p. 94). Continual renewal of the human situation would be capable of challenging vested interests (p. 107).

Rather than considering morality to be on the periphery of life as a largely ineffective guard against errors or a vain hope for perfection, Dewey insisted that morals lay at the center of life: all decisions that required reflective intelligence were moral decisions, for all such decisions ultimately would bear on improvement or expansion of the quality of life. To those who objected that this approach would replace traditional moral values and virtues with “whatever works,” Dewey responded that “the good”—to be meaningful in a realistic sense—did indeed have to “work” in the sense of rectifying present troubles, harmonizing present incompatibilities, and expanding meaning in human activity for all those affected by the situation at hand (Dewey 1922/2008, p. 139). It was pointless to enshrine traditional values as fixed infinite ideals that were in fact overlooked in practical affairs and had no power to improve practices or change social habits that preserved privilege for the few. Morals had to be seen instead as embedded in human activity, in “every act that is judged with reference to better and worse and that the need of this judgment is potentially coextensive with all portions of conduct” (Dewey 1922/2008, p. 188).

### 8.3 Restoring the Social Dimension of Human Conduct

The starting point for Dewey in understanding human nature was recognizing the power of social membership, interaction, and nurture. Each person exists as a member of a group or society which imparts to its members vital directions for actions and means to control their environment. All members share language, institutions, morals, technical skills, and a complex set and sense of relationships with other persons and the natural environment, summarized by Dewey as *habits*, “a form of executive skill, of efficiency in doing...an ability to use natural conditions as means to ends...an active control of the environment through control of the organs of action” (Dewey 1916/1966, p. 46). Dewey considered these habits to be “decisive because all distinctively human action has to be learned, and the very heart, blood and sinews of learning is creation of habitudes” (1927, p. 160).

This approach to human nature emphasizes the practical value of social life in the continual building up of knowledge and power to improve the quality of living. It is a social heritage that is obvious in such things as language and agriculture and subtle in forms of thought and patterns of perception.

Current philosophy held that ideas and knowledge were functions of a mind or consciousness which originated in individuals by means of isolated contact with objects. But in fact, knowledge is a function of association and communication; it depends upon tradition, upon tools and methods socially transmitted, developed and sanctioned. Faculties of effectual

observation, reflection and desire are habits acquired under the influence of the culture and institutions of society, not ready-made inherent powers...Habit is the mainspring of human action, and habits are formed for the most part under the influence of the customs of a group.(Dewey 1927, pp. 158–159)

So pervasive are these habits that they penetrate to what is usually considered the sacred private center of the person—one's free will. "Habit means special sensitiveness or accessibility to certain classes of stimuli, standing predilections and aversions, rather than bare recurrence of specific acts. It means will" (Dewey 1922/2008, p. 21). Morals, as part of this social heritage, are objective modes of action that incorporate the environment as surely as the habit of walking incorporates the terrain and legs into movement. At the same time, morals become subjective and reflective when conflicts between habits or changes in the environment present the individual person with a choice or problem to solve (Dewey 1922/2008, p. 29). Most importantly, morals are useful; they are practical habits of thought and action directed to improvement in the quality of life.

In Dewey's analysis, Western society froze the development of its moral values, virtues, and principles and attached them to the eternal salvation or integrity of a separate individual self—in religious terms, to an immortal soul; in secular terms, to the inviolable personal inner tribunal of conscience. According to the categories of classical and medieval psychology, each human mind was separate from other minds, eternal and distinct from the natural environment, and complete in itself. In this conception, morality was located in the free will of the private inner self or soul as a capacity for personal integrity or a potentiality for perfection. The consequence of this individualized, internal, and sacralized notion of moral integrity, in Dewey's view, was that morality revolved around perfection of the eternal mind or soul as judged (ultimately only by God) by the integrity or failure of individual will, by the excellence or corruption of character, or by the pursuit or perversion of good, eternal, and predetermined ends. Even though it was recognized that perfect integrity was a "practical impossibility," it was still "conceived as the ideal" and moral progress was "defined as approximation to it" (Dewey 1922/2008, p. 114).

This division of individual will from the social environment persists in many texts and curricula in business and public ethics. For example, in *Giving Voice to Values* (Gentile 2010), individuals are instructed on how they might intervene in external business affairs on the basis of their personal set of core inner values. In such scenarios, the ideal is moral courage that is strong enough to withstand the attractions of short-term gain, the social pressures of team loyalty, and practical concerns for personal job security or advancement. Of course, human nature is weak and variable in contrast to fixed moral ideals, and failures of courage are not definitive in undermining the inviolable inner integrity of the person: moral imperfection is mitigated by reasonable concern about extenuating circumstances of employment loyalties and career trajectories, in view of which an individual person may compromise on ideals and still go forward with internal moral values intact.

Dewey registered a fundamental challenge to the notion of a fixed self with an independent and solid moral character.

Inconsistencies and shiftings in character are the commonest things in experience. Only the hold of a traditional conception of the singleness and simplicity of soul and self blinds us to perceiving what they mean: the relative fluidity and diversity of the constituents of selfhood. There is no one readymade self behind activities. There are complex, unstable, opposing attitudes, habits, impulses which gradually come to terms with one another, and assume a certain consistency of configuration, even though only by means of a distribution of inconsistencies which keeps them in watertight compartments, giving them separate turns or tricks in action. (Dewey 1922/2008, pp. 87–88)

A morality of principles and values grounded in personal moral integrity is bound to be ineffective because no such complete and solid self exists. In relation to the natural environment, the human being is one organism among many, pervaded by the environment and interacting as part of the environment. “Environmental energies constitute organic functions” internal to human beings (Dewey 1917/1960, p. 24), not only in the food we eat and the air we breathe, but also in the qualities of experience and social relations that inform our thoughts and shape our feelings. Even our innermost experience—the language of our thoughts—is an environmental and social product, the presence of the other within us (Dewey 1929, p. 143). The subjective mind is not separate and distinct from surroundings but instead an intermediate function or position constituted in a “system of beliefs, recognitions, and ignorances...instituted under the influence of custom and tradition” (Dewey 1929, p. 180). Morals are “working adaptations of personal capacities...which incorporate objective forces,” meaningful and effective not as inner possessions but as habits or moments of interaction between the individual and society that affect the quality of personal and social existence in observable and material ways (Dewey 1922/2008, p. 4).

Morals understood as habits are instituted in language, family, property, and religion (Dewey 1922/2008, pp. 44–46), not chosen by each individual upon birth but instead discovered to be already in us when we become conscious of ourselves, already shaping our perceptions and guiding our actions. The quality of these habits is of paramount importance for morality, for they can be oriented to originality of thought capable of coping with new forces and information, or they can be oriented to routine and blind conformity (p. 36).

## 8.4 Renewing Moral Education as Pursuit of the Good and the Practice of Justice

The preceding discussion of the social nature of the person and the practical nature of morals lays the groundwork for moral education as the *pragmatic pursuit of the good*. This approach to moral education has the following five critical features: *First*, the pursuit of the good is a general aim in life that appears whenever a decision must be made to choose the best course of activity among alternatives. *Second*, the pursuit of the good draws upon the social fund of experience, relationships, and habits of thought and action built up in every society to inform exactly such

decisions (Bellamy 1897; Farr 2004), and at the same time every decision contributes to this social fund. Pursuit of the good is therefore a shared human effort that shapes the lives of those involved as well as achieves some experienced good, so that one of the goods to be achieved in this pursuit is the cultivation of a habit of pursuing the good, which in turn is available as a social tool for future pursuit of the good. *Third*, the process of reflection required in choosing among alternatives can be a shared process of deliberation among persons involved in the decision, which is a normal and advantageous act of democracy. *Fourth*, the good being pursued is experienced in the means of pursuit as well as in the ends-in-view and should be expected to yield tangible progress in human affairs—that is, its effectiveness should be, at least in theory, measurable. *Fifth*, the preceding four elements can contribute directly to developing a program of moral education with components of moral learning, moral theory, applied morality, public deliberation, and assessment of the good—including critical appraisal of just distribution and preservation of liberties.

#### ***8.4.1 Pursuit of the Good as a Pervasive Human Activity and Social Aim***

John Dewey's starting point for morals and moral education was the inescapable fact that human life demands decision-making. We are inevitably confronted with problematic or confusing situations or with alternative courses of action that require determination of problems and choices among possible solutions. One of Dewey's great contributions to philosophy and education was his careful analysis of thinking and problem-solving and the effect of this demand on the human person. "The situation," according to Dewey, "forms man as a desiring, striving, thinking, feeling creature" engaged in active pursuit of purposes both personal and social (Dewey 1929, p. 65). These characteristics of striving, thinking, and choosing locate morality within the ordinary decision-making and practicalities of human life:

The reason for dividing conduct into two distinct regions, one of expediency and the other of morality, disappears when the psychology that identifies ordinary deliberation with calculation is disposed of. There is seen to be but one issue involved in all reflection upon conduct: The rectifying of present troubles, the harmonizing of present incompatibilities by projecting a course of action which gathers into itself the meaning of them all. The recognition of the true psychology also reveals to us the nature of the good or satisfaction. Good consists in the meaning that is experienced to belong to an activity when conflict and entanglement of various incompatible impulses and habits terminate in a united orderly release in action. (Dewey 1922/2008, p. 139)

The essential task of moral education is therefore growth in problem-solving ability, guiding the natural functions of desiring, thinking, and deciding toward practical improvement in the conditions affecting human life by modifying the factors that shape future results (1922/2008, p. 6). For Dewey, "the meaning of justice in concrete cases is something to be determined by seeing what consequences will bring about human welfare in a fair and even way" (1908/1980, p. 107). Moral

indoctrination, which would limit the range and power of human reasoning, would be counterproductive. Rather, to be truly educative “implies attention to the conditions of growth...the power to retain from one experience something which is of avail in coping with the difficulties of a later situation...creat[ing] a desire for continued growth and...means for making the desire effective in fact” (Dewey 1916/1966, pp. 10, 44, 53). Education must aim to enhance the entire process of apprehending the problematic situation, identifying the problem, working through options for action, and acting on the conclusion of thought.

### ***8.4.2 Pursuit of the Good as Cultivation of Positive Social Habit***

According to John Dewey’s psychology, “the formation of habits of belief, desire, and judgment is going on at every instant under the influence of the conditions set by men’s contact, intercourse, and associations with one another” (Dewey 1922/2008, p. 216). Every human being is therefore engaged in a process of creating, strengthening, or weakening habits of human striving, thought, and action, not in isolation but woven into social processes which affect and are affected by the others.

Because habits are working tools, they are retained and strengthened when they produce the consequences desired, and they are weakened when they fail to result in the desired consequences. This constant modification of habits can be enhanced by conscious attention, but it proceeds unnoticed in many cases, entirely shaped by the reinforcement of consequences. Even when consciously trying to change habits, it is not a matter of simply deciding and then trying to act differently. Habits are embedded in the body and in experience; they precede thought and condition what is possible. Dewey (1922/2008) used the example of a man with a stooped posture who decides to stand up straight; he can make a conscious attempt at squaring his shoulders and arching his back, but this momentary awkward effort cannot change his posture (p. 13), which would require changing the conditions that have produced his stooped habit of carriage. Dewey pointed out that “to change the working character or will of another we have to alter objective conditions which enter into his habits”—in regard to business ethics, such things as the social demands of the workplace, the requirements for promotion, the intensity and length of the workday, and other powerful contextual influences—as well as “our own schemes of judgment, of assigning blame and praise, of awarding punishment and honor” (Dewey 1922/2008, p. 6). To cultivate the habit of pursuing the good would therefore require changes in what is actually valued among a person’s workmates and supervisors, as well as what is rewarded and punished in the surrounding culture.

To increase the creative phase and the humane quality of these activities is an affair of modifying the social conditions which stimulate, select, intensify, weaken and coordinate native activities. The first step in dealing with it is to increase our detailed scientific knowledge.

We need to know exactly the selective and directive force of each social situation; exactly how each tendency is promoted and retarded. ... A study of the educative effect, the influence upon habit, of each definite form of human intercourse, is prerequisite to effective reform. (Dewey 1922/2008, p. 94)

Daunting as this may seem, Dewey considered it a realistic endeavor given the growing power of the social sciences. He emphasized that this is a more optimistic doctrine than the fatalistic acceptance of human character as either virtuous or vicious, solidly formed and sequestered within each individual conscience. Dewey insisted that “honesty, chastity, malice, peevishness, courage, triviality, industry, irresponsibility are not private possessions of a person” (Dewey 1922/2008, p. 4) and that such vices and virtues could be changed with adequate attention to causes and consequences, fostering modifications with conscious attention to improvements. He refused to accept the theory of the self-centered rational calculator assumed in economic theory:

Deliberate unscrupulous pursuit of self-interest is as much conditioned upon social opportunities, training, and assistance as is the course of action prompted by a beaming benevolence. The difference lies in the quality and degree of the perception of ties and interdependencies, in the use to which they are put. Consider the form commonly assumed today by self-seeking: namely, command of money and economic power. Money is a social institution; property is a legal custom; economic opportunities are dependent upon the state of society; the objects aimed at, the rewards sought for, are what they are because of social admiration, prestige, competition, and power. If moneymaking is morally obnoxious it is because of the way these social facts are handled... (Dewey 1922/2008, p. 212)

One could add, as well, that to justify moneymaking as a personal aim requires supportive social structures of reward and reinforcement (Shiller 2012; Smith 2012; Veblen 1899/1953). It is critical to note that Dewey’s attention was on the conditions of thought and perception actually in use that produced the results that were desired. The results of choice and action are therefore both external in material or social consequences and internal in personal and social patterns of thought and perception. The target of moral education is not a special internal faculty of moral knowledge—the individual’s conscience—but instead simply clear thinking and good judgment:

The moral is to develop conscientiousness, ability to judge the significance of what we are doing and to use that judgment in directing what we do, not by means of direct cultivation of something called conscience, or reason, or a faculty of moral knowledge, but by fostering those impulses and habits which experience has shown to make us sensitive, generous, imaginative, impartial in perceiving the tendency of our inchoate dawning activities. Every attempt to forecast the future is subject in the end to the auditing of present concrete impulse and habit. Therefore the important thing is the fostering of those habits and impulses which lead to a broad, just, sympathetic survey of situations. (Dewey 1922/2008, p. 137)

To cultivate clear thinking and good judgment requires patterns of activity that reward and support skills of impartial perception and empirical investigation. Dewey was especially firm that



no amount of preaching good will or the golden rule or cultivation of sentiments of love and equity will accomplish the results. There must be change in objective arrangement and institutions. We must work on the environment not merely on the hearts of men. (1922/2008, p. 8)

To illustrate Dewey's point, we can recall the patterns of action and reward in financial institutions leading up to the 2008 banking crisis, clearly summarized by Robert Jackall (2010). The investment bankers involved were educated at the top business schools, where they were "drilled in the imperative of increasing the value of the assets in their care in as short a time as possible" (pp. 236–237). This short-term gain was rewarded with substantial bonuses; it was beneficial to themselves, their superiors, and other members of their team. That this strategy of investment might be detrimental to investors over the longer term was not considered the bankers' problem, for investors were considered smart enough to be watching out for themselves. This pattern of action fostered a moral climate and the intellectual habits to support it, without regard for the espoused rules of the financial investment profession or the employing organization. Indeed, conformity to the moral consensus among brokers was necessary for survival in the firm, for

Only those men and women who allow peers and superiors to feel morally comfortable in the ambiguous muddles of the world of affairs have a chance to survive and flourish in big organizations when power and authority shift due to changes in markets, internal power struggles, or the need to respond to external exigencies. (Jackall 2010, p. 237)

Given this environment, it would be pointless to lecture students of high finance on the morality of putting the investor's benefits first without at the same time taking some action to change the practices and priorities in the banks. Greg Smith (2012) was especially clear on documenting how a shift in priorities at Goldman Sachs was reinforced by the informal systems of moral support among traders and sales staff through team loyalty, respectful submission to superiors, mutual advocacy and protection, shared enthusiasm for common goals, and mutual leverage for success. Smith's portrayal of the moral qualms among some banking personnel affirms Dewey's view that most business professionals were specialists conforming to social pressures rather than opportunists merely pursuing their own calculated self-interest. The change needed was not a moral reformation of individual consciences but instead a reform of the "objective conditions which provide the resources and tools of action, together with its limitations, obstructions, and traps" (Dewey 1927, p. 162).

Dewey fully recognized that the social pressures turning business against the common good could not be corrected by converting people to an ideal notion of right or duty. Indeed, he questioned what the priority of Right that ethicists halloved could be, other than "the totality of social pressures exercised upon us to induce us to think and desire in certain ways" (Dewey 1922/2008, p. 218). One's sense of right and justice was not an inherent endowment of conscience but rather the cumulative result of personal perceptions inevitably shaped by what those around us acted upon and insisted upon as right and just. Moral learning is always in process as long as we are alive and engaged in society, for "not only is social life

identical with communication, but all communication (and hence all genuine social life) is educative” (Dewey 1916/1966, p. 5). Although this fact of pervasive and continual moral learning might discourage some educators as posing too large an arena for education, Dewey embraced this understanding of moral learning as increased opportunities and means for improvement.

Recognition of how morals are shaped enables us to consciously improve them by understanding and altering the conditions, causes, and consequences of current behavior. Certainly this might involve challenging established ways of thinking and acting, and it would require an organized and persistent effort of inquiry and experimentation with attention to results over time. Dewey believed this could be achieved through the social sciences, through ongoing analysis and regulation of social conditions, continually testing and improving working hypotheses in pursuit of releasing the potentialities for the good in human society (Dewey 1927, pp. 196–202). This experimentation and coordination were, in Dewey’s view, the proper task of the educator, who was specially delegated by society to assess the impacts of social conditions and the competing claims of habits of thought and action, and then to coordinate the relevant factors of the situation to invoke recognition of the conflicts and deliberation on solutions (Dewey 1922/2008, p. 129).

#### ***8.4.3 Pursuit of the Good as Shared Deliberation—An Exercise in Democracy***

Even though each person has his or her own moral responsibility to respond to the confusions or conflicts in any given situation, each also faces these responsibilities and challenges equipped with habits of thought, value, and behavior that are shaped by prevailing social conditions and consequences. Because of the social nature of moral responsibility and reflection, it is a natural step to expand the personal process of moral reflection and deliberation to include interpersonal deliberation and social cooperation in problem solving. A shared process of deliberation is also a powerful tool of moral education, which Dewey recognized and advocated at length in many of his writings on the unified purpose of democracy and education.

A democracy is more than a form of government; it is primarily a mode of associated living, of conjoint communicated experience. The extension in space of the number of individuals who participate in an interest so that each has to refer his own action to that of others, and to consider the action of others to give point and direction to his own, is equivalent to the breaking down of those barriers of class, race, and national territory which kept men from perceiving the full import of their activity. These more numerous and more varied points of contact denote a greater diversity of stimuli to which an individual has to respond; they consequently put a premium on variation in his action. They secure a liberation of powers which remain suppressed as long as the incitations to action are partial, as they must be in a group which in its exclusiveness shuts out many interests. (Dewey 1916/1966, p. 87)

Shared processes of moral reflection are powerful in prompting and nurturing individual moral learning and at the same time in fostering a stronger sense of

community. Dewey saw such reflection as necessary in order to keep up with continual changes in the conditions affecting moral decisions, because he saw that the concepts and beliefs with which we think change more slowly than the social and natural conditions in which we live (Dewey 1927, pp. 141–142). As a fact of modern life, Dewey admitted that staying informed on all the complex issues affecting their community would require more time and intellectual attention than people had. Without a programmatic approach to engagement, the public is eclipsed by the scale and scope of concerns, and shared moral decision-making must be left to a policy elite (Dewey 1927, p. 138) or relegated to government agencies (Christie 1977). Yet such policy choices are moral choices, and making these choices provides an opportunity for moral improvement across the whole society—and opportunity too important and pervasive to be ignored.

When decisions about social conditions are separated from those directly affected, their moral authority is diminished and eroded, decreasing a sense of shared interests and values and leaving individuals less equipped to reflect reasonably upon moral choices—and thus more vulnerable to the pressures of the workplace, neighborhood, vigilante posse, religious congregation, or any other social group. In response to this situation, shared deliberation has the potential to build common moral perspectives among individuals and to strengthen their skills in critical reflection and reasonable choice, while at the same time building the same skills and intelligence as a function of community. Experience has shown that civic deliberation and attention to consequences can strengthen democracy once the violence of war subsides, even in places of poverty such as Nicaragua (Anderson and Dodd 2005), Sierra Leone, Burundi, Serbia, Georgia, and Ukraine (Diamond 2008). Studies on the local level have shown similar effects on moral learning and civic deliberation through the practice of restorative justice, which requires ordinary people affected by a crime to assess the harm done and work out responses and reparations to repair the damage done (Braithwaite 1989; Christie 1977; Schweigert 1999, 2000; Umbreit 1994).

John Braithwaite (1999, Section “Democracy Renewed”) pursued these connections further to identify five specific lessons from restorative justice that could inform democracy, all of which are relevant to the moral deliberation–democracy connection: *first*, “bringing into a [restorative justice] circle a multiplicity of people who are affected in different ways” reduces power imbalances due to gender and positional bias; *second*, “it is better to put the problem rather than the person in the centre of the circle”—focusing, as Dewey indicated, on solving the problem at hand rather than accommodating participant conceits or prejudices; *third*, “material reparation was less important than symbolic or emotional reparation,” a clear indication of Dewey’s concern about habits of thought as part of the conditions needing to be addressed and his assertion that symbols promote communication and foster shared meanings (Dewey 1927, p. 153); *fourth*, “democracy is something that must be taught,” or, more accurately, *learned* through listening, caring, and shared deliberation; and *fifth*, learning occurs through taking responsibility for the process and outcomes, not through passive observation. These lessons have been affirmed by multiple assessments outside restorative justice, such as Skocpol’s observation that

membership and active participation are essential for democracy (2004) and Goetz and Jenkins's call for greater public accountability through raising citizens' expectations and providing formal institutions for public oversight (2004).

All moral choice involves deliberation as Dewey defined it because morality means "recognizing facts and using them as a challenge to intelligence to modify the environment and change habits" (Dewey 1922/2008, p. 202). Whether deliberation proceeds as a "dramatic rehearsal of possible lines of action" as Dewey described it (1922/2008, p. 126) or according to some other method of weighing facts, values, possible actions, and likely results (Gutmann and Thompson 1996), the potential for moral learning is high. Indeed, deliberation—including shared deliberation—is the preeminent means of moral learning: "Actually then only deliberate action, conduct into which reflective choice enters, is distinctively moral, for only then does there enter the question of better and worse" (Dewey 1922/2008, p. 187).

It is important to emphasize that deliberation and democracy, as Dewey understood them, were not compatible with what he saw as a marketplace for votes amidst widespread apathy or ignorance of the issues at hand (1927, esp. "The Eclipse of the Public," pp. 110–142). Deliberation was not a matter of bargaining to advance one's own interests or compromising to reach some mutually acceptable conclusion. Rather, the aim of deliberation was to "resolve entanglements in existing activity, restore continuity, recover harmony, utilize loose impulse and redirect habit" (Dewey 1922/2008, p. 132). Consistent with Dewey's theory of education, deliberation should open the social situation and those involved to greater growth and social good. He outlined in detail what such deliberation required.

*First*, the "function of reflective thought is to transform a situation in which there is experienced some obscurity, doubt, conflict, disturbance of some sort, into a situation that is clear, coherent, settled, harmonious" (Dewey 1933, pp. 100–101). Note that it is the quality of the present situation that is the criterion for completion of the process, not some ideal end as judged against an external standard or a convenient end as agreed by the parties involved. In looking forward to consequences of various lines of action, the aim is not to predict the future but to try to determine which activity in the present can unify the conflicting elements in the situation (Dewey 1922/2008, p. 136). The qualitative outcome achieved should be evident to observers and participants alike in the present situation and empirically verifiable.

*Second*, deliberation is by definition deliberate rather than hurried, "an attempt to uncover the conflict in its full scope and bearing...to reveal qualitative incompatibilities by detecting the different courses to which they commit us, different dispositions they form and foster, the different situations into which they plunge us" (Dewey 1922/2008, p. 143). The process aims toward a decision, but much of its value lies in increasing knowledge of the facts of the situation, including the dispositions and values of the participants. "This continuous interaction of the facts disclosed by observation and of the suggested proposals of solution and the suggested methods of dealing with conditions goes on till some suggested solution meets all the conditions of the case and does not run counter to any discoverable feature of it" (Dewey 1933, p. 104).

*Third*, the resolution achieved should unite, in some sense, the various lines of inquiry and differences in viewpoint, thus bringing a determinate shape and direction to an indeterminate situation (Dewey 1938/1960, p. 116). By this Dewey did not mean an ideal or final whole, for “all deliberation is a search for a way to act, not for a final terminus” (Dewey 1922/2008, p. 128). Rather, it should be seen as an end-in-view that does justice to the various concerns raised, at least in the action to be taken. In that sense, the action represents a unity of purpose.

Nothing is more extraordinary than the delicacy, promptness and ingenuity with which deliberation is capable of making eliminations and recombinations in projecting the course of a possible activity. To every shade of imagined circumstance there is a vibrating response; and to every complex situation a sensitiveness as to its integrity, a feeling of whether it does justice to all the facts, or overrides some to the advantage of others. Decision is reasonable when deliberation is so conducted. (Dewey 1922/2008, p. 128)

A variety of practical means have been developed to serve these purposes, such as tools for defining community, mapping land use, visualizing growth, and constructing shared scenarios (Snyder 2006). All these means coincide with Dewey’s criterion that all citizens share responsibility for group cohesion and direction, each according to his or her capacity, and exercising these responsibilities can develop these capacities further and increase the potential for shared responsibility and understanding of the common good (Dewey 1927, p. 147).

*Fourth*, a growing sensitivity to this kind of integrity would be one very real benefit of shared deliberation, since “the thing actually at stake in any serious deliberation is not a difference in quantity, but what kind of person one is to become, what sort of self is in the making, [and] what kind of a world” (Dewey 1922/2008, p. 143). Every process of deliberation is forward-looking, not only in determining the action to be taken but in preparing those involved to increase the quality and scope of their deliberations in the future. Dewey believed that democracy should stimulate original thought to address new situations rather than merely affirm previous ways of thinking and acting (Dewey 1922/2008, pp. 36–37).

#### ***8.4.4 Pursuit of the Good in Means, Ends, and Evidence of Progress***

One of the great challenges in moral philosophy is the diversity of understandings of the right and the good. Within particular religious and philosophical traditions, these understandings are presented as overarching, perennial, secure ideals. In some traditions, for example, the right is identified with obedience to the commands of the deity and the highest good is salvation or everlasting union with the deity. Other traditions follow the Stoics in identifying the good and right with what is natural for humanity, requiring conformity to a natural law inherent in every person and consistent with the entire natural environment—a view originating with Plato and continuing in some lines of Christian and Western rationalism. Enlightenment philosophers

sought to articulate the same ideals as outcomes of rational reflection. Thus, Immanuel Kant focused on the right as prior to the good, identifying duty as an act of good will logically consistent with universal moral law—analogue to natural law but discoverable in purely formal, logical terms (1985/1956). Jeremy Bentham (1789/1961), followed by John Stuart Mill (1861/1979), articulated an alternative rationale for morality giving priority to the good as that outcome providing for the greatest happiness for the greatest number.

Nietzsche (1887/1956) objected that these moral ideals did not in fact arise from divine origins or pure rational reflection, but instead arose within “a system of purposes” serving the ends being pursued by social elites. The inevitable result was that those with the power to do so imposed their ends and values on those less powerful (p. 210). Morals, in his view, were constructed through positive acts in history, always serving those interests that predominated in any age: moral ideals were acts of “adaptation” rather than eternal truths or laws (Nietzsche 1887/1956, p. 211).

John Dewey shared Nietzsche’s conviction that morals did not arise from an abstract philosophical system but instead served a practical purpose—for the benefit of the whole society, not merely the elite. According to Richard Rorty, Dewey sought a theory of morals that could be “therapeutic rather than constructive, edifying rather than systematic” (Rorty 1979, p. 5). Dewey was explicitly attempting to unhook moral philosophy from abstract ideals and relocate it in human affairs as a practical enterprise for individual and social improvement. His focus was consistently on the utility of morals in resolving real situations of confusion, conflict, and injustice. Drawing upon this insight, he was especially concerned with reorienting moral philosophy in two respects: the bearing of human action and the capacities of human nature.

Central to Dewey’s moral philosophy was his insight that “...ends are not strictly speaking ends or termini of action at all. They are terminals of deliberation, and so a turning point *in* activity” (Dewey 1922/2008, p. 148; emphasis in original). This is why he preferred the term *ends-in-view*, which communicated the practical bearing of ends as giving purpose to action and at the same time serving as a means or pivot to further activity.

Dewey consistently sought to redirect human attention away from abstract, ultimate, and ultimately unachievable ends such as human perfection or eternal salvation—not because such ends were theoretically impossible but because they lacked specific bearing in concrete situations and distracted persons from concerns at hand. His objection to fixed ends was practical:

The doctrine of fixed ends not only diverts attention from examination of consequences and the intelligent creation of purpose, but, since means and ends are two ways of regarding the same actuality, it also renders men careless in their inspection of existing conditions. (Dewey 1922/2008, p. 154)

His use of the term *ends-in-view* communicated the practical role of ends as “foreseen consequences which arise in the course of activity and which are employed to give activity added meaning and to direct its further course” (Dewey 1922/2008, p. 150). Dewey insisted on a continuity of means and ends: since “all effects are also

causes” (Dewey 1939, p. 43), every end-in-view is also a means for some other end, so that all ends are means. This did not mean that Dewey treated ends lightly. Ends were critically important in morals as “that object which were it present would link into an organized whole activities which are now partial and competing” (Dewey 1922/2008, p. 166).

Dewey was also keenly concerned that human nature be recognized as active and purposeful with the potential for achieving real progress in human affairs, rather than being denigrated as a fallen creature incapable of real goodness. He was frustrated by moral theories that “put the blame exclusively on a person as if his evil will were the sole cause of wrongdoing” (1922/2008, p. 5), because such characterizations distracted attention from the habits and conditions that shaped human choices and therefore left those conditions in place. In regard to the detrimental conditions of employment and the inordinate focus on accumulation of wealth, Dewey charged that we

satisfy ourselves cheaply by preaching the charm of productivity and by blaming the inherent selfishness of human nature, and urging some great moral and religious revival. The evils point in reality to the necessity of a change in economic institutions, but meantime they offer serious obstacles to the change. (Dewey 1922/2008, p. 80)

Rather than accept such conditions as inevitable results of industrialization or as unchangeable evidence of human failings, he argued for directing the new sciences of psychology and sociology to investigation of the social causes of these sufferings. Dewey admitted that social sciences lagged far behind the natural sciences in their scientific rigor, and as a consequence our understanding of morals and human development was at this point rudimentary (Dewey 1922/2008, p. xxi). But he saw this state of the social sciences as temporary and called for greater attention to the antecedent conditions of social problems and a more rigorous accounting of effects of remedial actions.

To those who might object that Dewey was giving up on the human potential for goodness, he countered with a call for empirical verification of positive results of moral action:

There are plenty of negative elements, due to conflict, entanglement and obscurity, in most of the situations of life, and we do not require a revelation of some supreme perfection to inform us whether or not we are making headway in present rectification. We move on from the worse and into, not just towards, the better, which is authenticated not by comparison with the foreign but in what is indigenous. Unless progress is present in reconstructing, it is nothing; if it cannot be told by qualities belonging to the movement of transition it can never be judged. (Dewey 1922/2008, p. 189)

This would call for a science of moral evaluation in terms of the actual results achieved rather than in comparison to an abstract and unchanging notion of the good. After all, according to Dewey, “The good is never twice alike. It never copies itself. It is new every morning, fresh every evening. It is unique in its every presentation” (Dewey 1922/2008, p. 140). Therefore progress in human conditions could not be accurately defined in advance, beyond expressions of desire for certain qualities of outcomes and environments. Rather, progress would have to be recognized

and evaluated in regard to specific improvements. There was no general formula for human progress (Dewey 1922/2008, p. 190).

Indeed, progress might not always look like progress. Dewey dismissed as fantasy the theory of social evolution that society was developing in some definite directions and accumulating a growing stock of firm and lasting accomplishments. The focus of evaluation had to remain tied instead to the quality of present conditions and specific improvements. If real change was being achieved, it would be disturbing as well as comforting, forcing us to recognize “that the attainment of every specific good merges insensibly into a new condition of maladjustment with its need of a new end and a renewed effort” (Dewey 1922/2008, p. 193). What Dewey called for, therefore, was a social habit of pragmatic pursuit of the good:

Positive attainment, actual enrichment of meaning and powers, opens new vistas and sets new tasks, creates new aims and stimulates new efforts. The facts are not such as to yield unthinking optimism and consolation; for they render it impossible to rest upon attained goods. New struggles and failures are inevitable. The total scene of action remains as before, only for us more complex, and more subtly unstable. But this very situation is a consequence of expansion, not of failures of power, and when grasped and admitted it is a challenge to intelligence. Instruction in what to do next can never come from an infinite goal, which for us is bound to be empty. It can be derived only from study of the deficiencies, irregularities and possibilities of the actual situation. (Dewey 1922/2008, pp. 193–194)

#### 8.4.5 *Pursuit of the Good as Moral Education—Theory, Application, and Learning*

The common approaches to moral education (introduced above in Sect. 3.3.1) have been broadly identified as character education, values clarification, and the cognitive-developmental approach. Although their elements overlap in education and in daily life, each of these approaches was designed to respond to a different concern and builds on a distinct theory of individual development and ethics.

The *cognitive-developmental approach* is based on Piaget’s theory that childhood moral judgment develops in stages (1965), and it is the educator’s role to stimulate a child’s natural progress from a pre-conventional egoistic stage to conventional thinking based on affective attachments and social norms. At adolescence and beyond, individuals can progress to a third stage of post-conventional moral reasoning in accord with universal principles “centering on principles of justice” (Kohlberg 1980, p. 71) in accord with universal moral principles as represented by Immanuel Kant’s “categorical imperative” (1785/1956). This last stage can be stimulated through the use of moral dilemmas carefully designed to aid development of moral reasoning. The focus is both individual and social, since each new stage is an elaboration of the previous one in a progressive ability to organize cooperation (Rest 1994, p. 5).

*Character education* is rooted in Aristotle’s observation that moral virtue cannot be taught like a science (*episteme*) nor developed through training like a skill



(*techne*) but must be learned by bearing the responsibility of deciding and acting on the best course using practical reason (*phronesis*). By doing the right thing in the right way for the right reasons, the individual acquires a habit of virtuous action and a virtuous character (1962, *Nicomachean Ethics*, Bk. VI. 1103a). The educator's role is thus to foster a moral community that can provide direction, practice, role models, and support in cultivating positive virtues, to the point that these become habitual (Lickona 1991; Ryan 1996).

The *values clarification* approach is designed to help students sort through conflicting moral imperatives in a culturally diverse world, respecting differences yet recognizing and holding firmly to their own core values (Fletcher 1966). It focuses especially on the emergence of critical thinking at adolescence when youth are naturally inclined to question received beliefs, to help them move through questioning to their own set of more settled moral views.

The *pragmatic pursuit of the good* as outlined in preceding sections of this chapter incorporates some elements of each of these three approaches to moral education. Similar to Kohlberg, Dewey saw an important role for moral reasoning, not as a means to foster individual development according to pre-determined stages, but more broadly in assessing social conditions and developing habits of thought in constructing practical solutions to current problems. Similar to values clarification, Dewey advocated a critical approach to morality open to different perspectives and rationales for determining the good to be achieved, including challenges to current moral assumptions if necessary to pursue positive social action and results. Similar to virtues education, Dewey saw the critical role played by the moral community, including the power of good example and mutual accountability, but he also saw that sometimes the virtues espoused by the community would need to be revised.

A program of moral education, like all education in Dewey's view, requires identifying and emphasizing those experiences that are oriented to growth and directed to "create conditions for further growth" (Dewey 1938/1963, p. 36). To pursue continual growth in the ability to create a better life—to achieve social progress in real terms—does not require that we

have formulated a definite ideal of some better state. An educational enterprise conducted in this spirit would probably end merely in substituting one rigidity for another. What is necessary is that habits be formed which are more intelligent, more sensitively percipient, more informed with foresight, more aware of what they are about, more direct and sincere, more flexibly responsive than those now current. (Dewey 1922/2008, p. 81)

## 8.5 Conclusion: Applications to Professional Ethics

In concluding, we can return to the intersection between the world of business and the theoretical constructs of ethical systems. The pragmatic pursuit of the good would be a program of applied morals bridging these two worlds: It would be included as part of business strategy in management science and professional

decision-making at all levels of the organization, with systematic reflection on professional behavior, with assessment of social conditions that comprise the context for business operations, and with critical consideration of alternative courses of action that might better achieve all the ends in view—social as well as financial. It would allow for the reconsideration of the standard assumptions, perspectives, and habits of thought in business schools and business operations. In this way, the pragmatic pursuit of the good would be incorporated into business education and business activity as a practical social science for the advancement of business strategy and the betterment of society. The pursuit of the good would stand as an actionable ethical theory that would be both practical and educative, “learning the meaning of what we are about and employing that meaning in action” (Dewey 1922/2008, p. 188).

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# Chapter 9

## Education for Ethical Leadership: Social Responsibility and Public Deliberation

**Abstract** The pragmatic pursuit of the good in business operations and outcomes entails a social responsibility to serve the general welfare as a matter of justice. Reflections on matters of justice currently occur in legislative and judicial forums, but government and law are not adequate to address and resolve the many considerations of justice involving business activities. In order to meet their social responsibilities, business leaders must be prepared to engage in public ethical reflection that distinguishes public accountability on matters of justice from personal moral accountability to one's conscience, and be prepared as well to convene and lead public deliberations to determine the legitimacy, priority, and just resolution of social claims. Drawing upon the extensive experience and literature of deliberative democracy, these deliberations can take a variety of forms and function at different scales, depending on the parties and concerns involved. In all cases, deliberations must proceed under the standards of public reason and be informed by objective evidence and reasonable argument. An important component of these deliberations is therefore a process of social analysis that can uncover personal and organizational biases and capabilities.

**Keywords** Public deliberation • Corporate responsibility • Moral education • Business ethics • Justice • Legal compliance • Theory of the firm

### 9.1 Introduction: Business Accountability as a Matter of Justice

Three important contexts for ethical leadership have been identified in business ethics literature, all of which point toward the need for effective models for external (that is, public) ethical accountability for businesses in terms of justice.

*First*, developments in corporate social responsibility (CSR) have extended business accountability beyond the duty to provide profits for owners. Within the larger CSR arena, more specific theories of accountability have been developed by R. Edward Freeman, Florian Wettstein, and Rogene Buchholz, among others. Stakeholder theory (Freeman et al. 2010) provides a comprehensive view of the

parties who have a stake in just—as well as profitable—business operations. Wettstein (2009) has carried this discussion further in his examination of multinational corporations as agents of justice and accountable to the claims of justice. Concerns about the concentration of ethical responsibility in the hands of managers (Buchholz 2009, pp. 24, 32) highlights the need for workable models for public deliberation on corporate social responsibility and justice.

*Second*, social entrepreneurship has emerged as an energetic call to the role of businesses in contributing to just social conditions (Brinckerhoff 2000, 2009; Light 2008). To some extent, these efforts do not address business responsibility in general but focus on creating businesses for particular social purposes. Even so, social entrepreneurs are articulating and demonstrating how businesses can operate with social goals and safeguards in place (Mackey 2007), which is advancing the idea of accountability in terms of justice.

The *third* context is law, the entire regime of business regulation and incentives building on and defining the social role and accountability of businesses. Even taking into account the bargaining and self-interest of all parties involved in legislation, this regulatory and investment regime points ultimately to some understanding of the social good at stake. This is not to say the aim of law, in every case, is justice. Even where the aim of law is social planning, as Shapiro (2011) has argued, the plans enacted into law address concerns for the social good and establish enforceable expectations of business behavior to prevent harm to society. Positive social conditions are good for business, and business is expected to be good for society.

Each of these three approaches to social responsibility is incomplete, however, in terms of clear and workable means for public accountability. Although CSR clearly entails public accountability, the onus of responsibility rests on the managers of the business, who are vulnerable to the same hazards that compromise moral behavior throughout business operations—uncertainty regarding available information and future events, personal and corporate ambition, loyalty to the team, and concern about incurring liabilities (Schweigert 2016). The pressure exerted on behalf of social responsibility can be readily resisted or set aside because it is voluntary and bears upon managers personally; deviations are excusable. Even behavior that seems unethical from a distance, e.g., the CEO of JPMorgan Chase withholding information from regulators (Silver-Greenberg and Protes 2013, p. A1), can be personally justified in the situation as personal sacrifice and risk for the sake of the company—taking a hit for the team. Similarly, social entrepreneurship depends upon the personal moral convictions of owners and managers, who must make the difficult decisions regarding what is good for their business and good for society. Fair Trade Coffee is a case in point: established to ensure that small growers and manual laborers were earning a fair return, it has arguably grown instead “from an economic and social justice movement to largely a marketing model for ethical consumerism” (Haight 2011, first section, last paragraph). In this case, there are associations overseeing the validity of criteria and claims (the Fairtrade Labelling Organizations International and Fair Trade USA); in the case of individual entrepreneurs, there is no clear location of external accountability.

Legal compliance presents a different concern regarding external accountability. Whereas CSR and social entrepreneurship are weighted toward personal responsi-

bility and somewhat unclear on external accountability, the law is heavy on external accountability but quiet on personal moral responsibility. By its nature, law enforcement is linked to minimal compliance, which then can become the norm since it is the common yardstick against which everyone inside and outside the firm can measure performance and responsibility. Needless to say, where legal compliance replaces personal responsibility, businesses and managers can justify their actions beyond the point required in law and right up to the moment that enforcement begins. In addition, law cannot replace responsibility in addressing public problems or moral evils. Finally, as the extensive regime of compliance assurance demonstrates, legal compliance is costly in its many parts: licensing and permitting, data collection and monitoring, apprehension and prosecution—all the way up to imposing sanctions and restoring satisfactory conditions.

External public accountability for business responsibility can be strengthened by addressing it as a matter of justice, but explicit mechanisms are needed, both internal to business and external to it. On the internal side, as a part of the philosophy or economics of private enterprise, it is necessary to develop solid grounding for expanding the standard business value proposition of profit maximization to include an ethical responsibility to deliver social good as well as profits, as a matter of justice. On the external side, it is necessary to develop the mechanisms and structures for business public responsibility and accountability. This chapter is an attempt to begin meeting this need by articulating the grounds, processes, and expected results of shared processes of public deliberation, through which businesses can participate without assuming sole responsibility to determine what social goods are at stake and which claims are legitimate (Rawls 1997). Clear processes are essential to achieve shared responsibility, a task which is not achieved once and for all but must become an on-going part of doing business, because conflicts in matters of justice are endemic and solutions are never final (Hampshire 2000).

## 9.2 Moral Education in Business Ethics: Approaches vs. Realities<sup>1</sup>

The common approaches to moral education were identified above (at Sect. 3.3.1) as character education, values clarification, and the cognitive-developmental approach. Although their elements overlap in education and in daily life, each approach was designed to respond to a different concern and builds on a distinct theory of individual development and ethics.

In my reading, business ethics texts promote moral reasoning, moral character, and moral leadership without explicit reference to their underlying theories of moral learning and educational methodology. References to Kohlberg's stages of moral

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<sup>1</sup>This section and the two following are adapted, with significant revisions, from this author's essay, "Social Responsibility as a Matter of Justice: A Proposal to Expand Business Ethics Education," in M. C. Coutinho de Arruda and R. Rok (Eds.), *Understanding Ethics and Responsibilities in a Globalizing World*, pp. 229–246 (Switzerland: Springer International Publishing, 2016).

development are common but without incorporation of his theory of stage-based psychological development. Whereas Kohlberg used moral dilemmas to stimulate “the ‘natural’ development of the individual child’s own moral judgment and capacities” toward a higher stage of moral reasoning (Kohlberg 1980, p. 72), business ethics texts present moral dilemmas as complicated puzzles that call for critical reflection and problem solving in facing the conflicting moral demands typical in business settings. In contrast to the cognitive-developmental approach, moral dilemmas in applied ethics—business and professional—emphasize analysis of intermediate-level concepts “such as informed consent, paternalistic deception, and privileged confidentiality” as well as “even a more concrete level of conceptualization...that is usually found in codes of ethics of professional organizations” (Rest 1994, p. 9). The aim is problem-solving rather than higher moral reasoning. For example, James Svava’s advice to whistleblowers includes pre-conventional concern for one’s family welfare and “skeletons in your closet,” plus several conventional concerns regarding use of company time and resources, adequate documentation, consulting an attorney, checking for allies, having a clear plan, and perhaps feeding the information anonymously to an outside group (Svava 2007, pp. 121–122).

A central theme in business ethics texts is that ethical behavior is based on a set of core values or principles (e.g., Boatright 2012, pp. 40–41; DesJardins 2009, pp. 5ff.; Gentile 2011; George 2007, pp. 85ff.; Josephson 2002/2006; Svava 2007, p. 81; Trevino and Nelson 2007, pp. 95ff.) which the leader enacts with integrity and courage, guiding the organization rightly and demonstrating that moral ideals can, in fact, be achieved—as in character education (Ryan 1996, p. 83). These solid values provide “a compass to keep you focused on your True North and get back on track when you are pulled off by external forces or are at risk of being derailed” (George 2007, p. 65). Mary Gentile (2010) summarized the aim of business ethics education as “designed to help individuals learn to recognize, clarify, speak and act on their values when those conflicts arise...[using] the approach that not only seems most likely to be effective in our particular situation, but also the one that is most comfortable, given our own personal style of communication and personality” (p. 1). There are echoes of values clarification here, but with emphasis on personal moral positioning more than openness to moral exploration and the development of a critical morality. At center is the strong self of virtue ethics: “Organizational pressures can compromise our moral behavior,” Comer and Vega wrote. “To rise above these pressures, we need to understand and foster moral courage” (2011, p. xvii).

This emphasis on virtue ethics does not, however, incorporate the essential role of the moral community which character and virtues educators insist is the authoritative and formative power at the heart of character education. There can be no positive character development without the practice of moral behavior in a community upon which one depends for esteem and support and to which one owes loyalty, honor, and positive assistance.

Moral sense, individual virtues, and integrity are nourished by ‘the community,’ and...in order to understand individual moral sense it is necessary to consider not only the biology and psychology of virtue, but also the relevant features of the institutions and social structures (such as business organizations) and communities in which moral agency is executed and moral identity is formed, and the moral commitment of others, and the co-evolution of

individual and organizational moral values with relevant institutional frameworks (Saddler-Smith 2012, pp. 363–364).

Moral character develops through earning the esteem of one’s “betters” and in turn becoming a model for others to emulate. To effectively communicate communally held values, it is necessary to “reward success and admonish failure,” evaluating “by formal and informal means students’ growth in virtue and character” (Ryan 1996, p. 83).

The reason why seeing is so important to the moral life is that many of the moral facts of life are apprehended through observation. Much of the moral law consists of axioms or premises about human beings and human conduct. And one does not arrive at premises by reasoning. You either see them or you don’t... Certain moral principles make sense within the context of certain visions of life, but from within the context of other visions, they don’t make much sense at all (Kilpatrick 1992, pp. 133–134).

A sense of group identity and unity is essential, with shared rituals, traditions, and symbols (Lickona 1991, p. 102). Earning the esteem of one’s co-workers is necessary for advancement and even survival in the workplace, and no worker or manager can afford to be fooled about what really matters in the eyes of peers and supervisors. Not only career advancement but also business success depends upon each worker fitting in. Nothing is more formative than the *enacted* agendas and actions in the workplace—the moral community—whether or not these actions contradict the *espoused* practices and values of the business or individual workers. Contrary to the assumptions of many business educators, personal values are neither clearly defined nor stable in the face of outside influences. Rick Weissbourd cited research that “emotions such as shame, anger, and cynicism...eat away at caring, a sense of responsibility, and other important moral qualities,” making it difficult for workers to hold to their moral beliefs. “When people’s moral beliefs conflict with their immoral actions, many will change their beliefs to accommodate their actions, not vice versa. They will justify stealing, for example, because ‘society is corrupt’ or because ‘all people are basically self-interested’” (Weissbourd 2003, p. 7).

The need for acceptance, cooperation, loyalty, and mutual protection is highest among close colleagues. Not surprisingly, as social distance decreases, the propensity to lie increases. “To the extent that employees are concerned about what others think of them, reduced social distance intensifies the concern. As a result, employees are more likely to expend time and effort on impression management activities, which could affect their work quality and performance” (Ackert et al. 2011, p. 619). As character and virtue educators insist, the role of the moral community is fundamental.

### 9.3 Social Responsibility of Business: The Nature of the Firm

The theory of the firm is contested, with meanings shifting over time and often turning on justifications for or resistance to public accountability and regulation (Millon 1990). Three competing theories have been proposed, each with its own implications for business accountability for the public good. If the business corporation is understood as the cooperative action of private parties pursuing private aims in the



marketplace, the business is not an entity in itself but merely the aggregate of persons who have come together to pursue private interests in the marketplace. However, given that the firm does act as an entity in the marketplace, a second theory defines the business firm as a natural entity formed by agreements among private parties—a nexus-of-contracts. A third theory—called the concession theory—defines the firm as a creation of the state (Padfield 2012).

Given this range of understandings, various lines of reasoning can be offered as justifications for normative expectations regarding social responsibility. If the corporation is created by the state as described in concession theory, it can be presumed to exist to serve public as well as private purposes. “As the creator of the corporation, the state is at least presumptively free to impose whatever regulations or restrictions it deems to be appropriate” (Millon 1990, p. 260; Padfield 2012, p. 10). If the corporation is seen as a system of contracting private parties, its competitive advantage nevertheless turns in part on costs related to government-provided infrastructure or government-imposed costs (Porter 1979), including entry and exit barriers. It is therefore reasonable to expect a public return for this public expense. Furthermore, as stakeholder theorists have pointed out, communities within which businesses operate should be included among the contracting parties because their cooperation is essential to business success, which entails business responsibility for some community costs and benefits. I describe this as seeking the *cooperative advantage* of the firm; Edward Freeman and his co-authors referred to it as a *system of cooperation* (Freeman et al. 2010, p. 15); Michael Porter and Mark Kramer (2011) have called it *shared value*. These terms all point to the same reality, that the aim of the business is value creation for all the stakeholders (Freeman et al. 2010, p. 12). Social responsibility can contribute to profitability, either through satisfying a “market for virtue” or incorporating public goods into the company’s business strategy (Boatright 2012, pp. 285–289). A market for virtue can include both consumers and employees “who express their desire for socially responsible behavior by their market decisions to buy a company’s products or to accept employment” (Boatright 2012, p. 284).

Property rights, as applied to shareholders in a publicly owned corporation, also imply areas of social responsibility. The concept of property is complex, and not all aspects correspond well to the rights and duties of shareholders. Walter Schultz (2001) listed thirteen elements of ownership: the *rights* to possession, use, management, income, consumption or destruction, modification, alienation, transmission, and security, plus the *conditions* of absence of term, prohibition of harmful use, liability to execution, and rules of reversion (2001, pp. 99–100). As Boatright (1994) showed, most of these do not apply to shareholders. Rather, shareholder ownership is premised on the contribution the use of the term makes to the common good as a matter of public policy—that is, “institutions in which management is accountable primarily to shareholders provides the most socially beneficial system of economic organization” (Boatright 1994, p. 401). This line of reasoning focuses less on the nature of the firm than on the nature of the marketplace as a public institution which must be maintained by “self-regulation and restraint” as well as by government (Boatright 2012, p. 9).

These various lines of reasoning support the normative claim that business operations and the goods provided are—or ought to be—part of the shared good of the community in which they exist. Business leaders need to understand how their firms are implicated in the public good as a matter of necessity and responsibility, and they should be prepared to address the expectations that arise from this relationship.

Some of these expectations have been incorporated into law, but a regime of legal regulation cannot address all the demands for business social responsibility, for several reasons.

*First*, although law is expected to have a basis in justice, the law “is not a complete account of morality” (Shapiro 2011, p. 186). Some public problems or moral evils cannot be effectively dealt with through law (Kalscheur 2004, p. 17; Kaveny 2000, p. 9). Indeed, as Lager (2009) pointed out, “it is almost impossible to write a rule to address every situation that will not also be too broad or wildly complex, and it would be best to avoid creating rules and procedures today that will lack legitimacy tomorrow... Justice is a matter of the correct or best theory of moral and political rights,” but much that is just does enter into law (p. 3).

*Second*, the law is not enough because—although one could hope otherwise—not all laws are just. The institutions that have authorized the law have moral legitimacy, so that the laws themselves also “are morally legitimate and obligating.” However, even though the law “always purports to represent the moral point of view,” it sometimes does not (Shapiro 2011, p. 187; emphasis in original). Rather, law follows politics: “Law is a matter of which supposed rights supply a justification for using or withholding the collective force of the state because they are included in or implied by actual political decisions of the past” (Dworkin 1986, p. 97). In fact, “compliance is not always better than noncompliance,” since employees are sometimes able to achieve the public good and the law’s intent by going around the rules (Lager 2009, p. 3)—what Gregory called “official corruption” as opposed to personal corruption that serves individual self-interest (Gregory 1995, p. 65).

*Third*, in some cases, “the concrete steps that a state would need to take in order to enforce a particular law are themselves morally repugnant” (Kaveny 2000, p. 9). For example, intrusive surveillance such as DNA or drug testing, GPS tracking, examination of phone records, or phone tapping pose problems regarding privacy and business security.

*Fourth*, it costs money to pass laws and enforce them: money which can sometimes be spent on better things (Kaveny 2000, p. 9). Law enforcement requires regulatory oversight, which has resulted in a “compliance infrastructure...consisting of auditors, inspectors, lawyers, and a burgeoning industry of ‘compliance professionals’ who will design internal controls, training and education programs” to reduce exposure to liability and meet ethics reporting requirements (Lager 2009, p. 3). Excessive reporting and monitoring can also create a burden that is unsustainable for those reporting and overwhelming for those receiving the reports. Indeed, “businesses may often advance their self-interest more effectively by engaging in greater self-regulation” rather than depending upon the law to set mandates (Boatright 2012, p. 11).

*Fifth*, the law enforces a minimal compliance, which is often not adequate to achieve justice (Kalscheur 2004, p. 17). Compliance is “a dreadfully low bar to meet” and it nurtures an attitude that compliance is enough, displacing moral responsibility for anything beyond obeying the law and contributing to a culture of loopholes and evasions that cut as close to the minimum as possible without actually breaking the law (Lager 2009, p. 3). This attitude also leads businesses to engage in harmful or unjust practices right up to the moment that enforcement begins, thus reducing self-restraint and fueling an interlocking mesh of corporate lobbyists and campaign contributions.

Sufficient participation of businesses in meeting the demands of justice and serving social ends cannot depend on legal compliance alone. Rather, as a participant in the public arena, businesses must consider it part of their responsibility to meet the demands of justice. The standard value proposition of maximizing profits must be expanded to include an ethical responsibility to deliver social good as well as profits, as a matter of justice.

## 9.4 Public Deliberation on the Justice of Social Claims

A wealth of experience, reflection, and practical information exists regarding the organization and leadership of public deliberation. In addition to national sources such as the managers’ guide by Lukensmeyer and Torres (2006) and the *Resource Guide on Public Engagement* by the National Coalition for Dialogue & Deliberation (2010), there are many local organizations with expertise in this area, working under the auspices of centers for democracy, restorative justice, citizen engagement, civil society associations, communities of practice, and public facilitation. Peer reviewed studies and reflections are available online in the *Journal of Public Deliberation*, with specific and practical guidance such as that on role responsibilities by Kahane et al. (2013).

There is also a growing body of experience that supports the notion that public deliberation can produce public knowledge (sometimes called a public “voice”) that can lead to action and resolution of public issues. Ronald Powers and his colleagues (2002) summarized the findings of the Kettering Foundation’s *Twelve Major Findings from Studies of Public Deliberation* (1996) based on its extensive experience sponsoring public deliberations nation-wide:

1. Anyone can deliberate.
2. Participants come from every part of society.
3. As a result of deliberation, people reconsider their own opinions and judgments.
4. People reconsider the views of others as a result of deliberation. They develop a greater understanding of other groups and viewpoints.

5. After participating in deliberation, people's knowledge and understanding of an issue increases.
6. After deliberation, people think more realistically about issues (e.g., they are willing to consider costs and trade-offs).
7. As a result of public deliberation, people become more inclined to see themselves as political actors.
8. Through forums, people develop stronger communication skills (e.g., speaking, writing, etc.).
9. After public deliberation, people become more interested in political and social issues.
10. After participating in public deliberation, people construe their self-interests more broadly.
11. Through deliberation, people increase their activity around issues.
12. Public deliberation establishes and enhances communication between groups.

As this list shows, public deliberation offers a social space open to broad participation and learning, as well as problem solving. In matters of justice affecting businesses, it can provide a neutral meeting ground to consider potentially volatile subjects such as environmental impacts, employment discrimination, and infrastructure needs and development.

#### ***9.4.1 Economic Interests of Business: Private and Public***

Business responsibility for the social good rests on two economic assumptions, both well articulated by Rogene Buchholz (2009) and both essential to the practical pursuit of business ethics as a matter of justice.

The *first assumption* is embedded in the earlier discussion of the theory of the firm, especially in relation to stakeholder theory: "Self-interest and community interest are inseparably intertwined, and a proper balance between these two dimensions is necessary for effective functioning of the total system" (Buchholz 2009, p. 144). Note that "proper balance" is Aristotle's description of justice and moral virtue, the median between excess and deficiency. Aristotle was careful to explain that this was not a mathematical calculation, but "a mean which is defined by a rational principle, such as a man of practical wisdom would use to determine it ... at the right time, toward the right objects, toward the right people, for the right reason, and in the right manner—that is the median and the best course, the course that is the mark of virtue" (1962, Bk.II.6, 1106b). Putting this assumption into practice requires structures and processes through which businesses and communities can exercise practical wisdom, presenting their interests and seeking solutions that can serve both the community and the business.

The *second assumption* bears directly on the pursuit of the good in clarifying what, in fact, is the good in question. Buchholz distinguished *wealth* from *worth*: "Economic wealth is supposedly created when resources that have no economic

value in themselves are combined in such a way that goods and services are produced that have value to the society” (2009, p. 86). However, “economic wealth is an elusive concept and something of a fiction. Several trillions of dollars disappeared from the American economy during the first years of the twenty-first century...What happened to all this wealth? Where did it go” (p. 87)? Echoing Immanuel Kant’s distinction between price and dignity (1785/1956, p. 102), Buchholz contrasted wealth as “an abstraction” to worth, “in the goods and service they produce and whether these goods and services enhance the lives of people.” How much worth something has “does not reside in the product itself, nor does it lie in an individual consumer, but emerges from the interaction of millions of people who participate in the marketplace” (2009, p. 88).

One reason that businesses may resist accountability to the social good—besides a possible reduction in profits—is the risk of incurring liabilities that lack clear boundaries. In contrast, the exercise of corporate social responsibility and corporate philanthropy can demonstrate a company’s public concern and earn public appreciation while remaining entirely voluntary. Legal obligations similarly entail less risk because laws and their enforcement rules set clear boundaries within clear timeframes, and the risk of noncompliance is mitigated by incomplete enforcement and appeal to legal processes. Public accountability to claims of justice, on the other hand, could entail obligations that require definition—not necessarily an easy task—as well as inconclusive or open-ended deliberations.

One could argue that the determination of justice belongs to the legislature, not businesses and their stakeholders, but as pointed out above, law cannot define or enforce all ethical obligations. Decisions are being made every day on wealth and worth and the proper balance between gains and costs for businesses and communities. It does not suffice to leave public deliberation on justice to government alone. Along with other institutions operating in the public arena, businesses share responsibility for understanding, prioritizing, and achieving the social goods needed to address pressing social issues: use and preservation of resources, environmental sustainability, avoidance of systemic risk in capital markets, and fair allocation of goods and services. The pragmatic pursuit of the good would position business leaders to participate in and even to convene processes of shared reflection to determine the proper balance of gain and social good.

### ***9.4.2 Structures and Processes of Public Deliberation***

Although a thorough description of a practical program for public deliberation would go beyond the scope of this chapter, five considerations should be taken into account in designing and convening processes of deliberation.

*First, a range of deliberative structures* is needed to gather and share information, set agendas, manage participation, develop solutions, and follow through on implementation—while upholding the standards of equal opportunity, free participation, true information, and fair decision-making. The iconic structure for public

deliberation in America is the town hall, with its standards (at its best) of open participation, verifiable information, reasoned debate, and fair decision-making—paralleling, in fact, the standards of a free marketplace (Schultz 2001). This ideal is useful but also limiting, given the range of interactive media and meeting venues available. Form must follow function, and it is essential that deliberative structures reflect the scope and complexity of the business enterprises, communities, and markets involved. To be viable, deliberations in the public arena must be capable of addressing the current conditions and conflicts. The credibility of deliberations can also be enhanced by using processes involving representative sampling, such as citizen juries or Deliberative Polling® (Fishkin and Luskin 2005).

*Second, deliberative processes must fit the scale of operations being addressed.* Local, privately owned businesses can work through ad hoc or occasional processes to address matters of justice as claims arise, but it will be necessary to institute regular hearings, forums, and caucuses to address issues and priorities on municipal, statewide, regional, or national scales. Although there are daunting challenges in selecting participants and managing facilitation and decision-making, processes for citizen engagement already exist and function with credibility and effectiveness. Given the ubiquity of social media and personal communication tools, it is possible to foresee distributed networks of deliberation extending across time and space. Global public corporations—which operate at the scale of quasi-governments (Wettstein 2009, p. 187)—would require formal structures based on universally recognized human rights, widely accepted conceptions of ethics such as integrative social contracts theory (Donaldson and Dunfee 1994, 1995), or principles recognized in international law and courts.

*Third, agreements resulting from public deliberation* need enough definition and stability to support business decisions and investments, as well as to merit community support and provide for mechanisms to monitor implementation. Community benefits agreements and civil compacts provide possible models, as do collective impact collaboratives (Kania and Kramer 2011). One very workable model for such agreements has been developed and put into practice as a *social license to operate*, “when a project has the ongoing approval within the local community and other stakeholders, ongoing approval or broad social acceptance and, most frequently, as ongoing acceptance” (What Is a Social License 2014). These are points to begin, and with practice more models for agreement would be developed.

Agreements should reflect three critical components for business operations within a shared sense of justice: (a) gaining *legitimacy* by the buy-in of key parties; (b) gaining *credibility* first by their acceptance in the community and in an on-going way by clearly defining and meeting expectations; and (c) building *trust* through the shared experience of accountability and mutual identification with results. Businesses, associations, and informal groups cannot exercise their public responsibility without dependable structures for weighing claims of injustice, developing just solutions, and establishing public accountability for follow-through. Agreements must be realistic in the actions and outcomes expected, as well as being measurable to the extent possible. It should be expected that some agreements would be codified in contracts or legislation and thus be subject to litigation.

There cannot be an expectation that agreements arrived at are final for all time and through all developments. There is much that cannot be seen or determined in advance or even in the early stages of business operations. It would be necessary to find a “golden mean” in this matter, providing enough stability to assure businesses that they can invest and operate in accord with the agreement that is made and yet offering some openness to reconsiderations and further deliberation. One way to do this would be to identify, as part of the agreement, some indicators or parameters regarding issues of concern that, if they were exceeded, would trigger renewed deliberation. One could imagine a wide range of such concerns that could be amenable to this kind of consideration, from levels of air quality or transportation demands to numbers of employees or residents.

*Fourth, a simple framework for justice* is needed equip business and civic leaders with a set of questions to determine the primary nature of the claims before them, thus pointing toward possible ways to resolve the claims. One such framework is the three-part framework of procedural justice, distributive justice, and public justice (Schweigert 2007) laid out above (Sect. 7.3.2). A key moment in deliberation on justice would be the determination of what kind of justice is at stake.

*Procedural justice* addresses concerns about fairness in processes and procedures, affirming human dignity and individual or group rights to free and equal participation. Where interpersonal or intergroup trust is low, participants should at least be able to trust the fairness of public processes. *Distributive justice* bears on the questions of wealth and worth in understanding and assessing the good at stake and how goods and services can be allocated fairly. Possible conceptual frameworks might be a scheme of human capabilities (Sen 2009; Nussbaum 2011), a list of primary goods (Rawls 1971, 1996), analysis of the material conditions for existence (Dussel 1997, 1999), analysis of equality of condition and responsibility (Roemer 1996), or appeal to the common good (Lohmann 1992; Maritain 1946/1966). *Public justice*<sup>2</sup> refers to duties of office that are delegated to office-holders, as well as duties, standards, and ideals that various professions commit to uphold, such as in law, medicine, teaching, or research. Equipped with this three-part framework, deliberations can begin by asking what kind of justice is at stake and what kinds of claims must be considered.

Other frameworks are certainly possible, and it may be necessary to establish conceptual categories of good and right to fit particular situations. Thomas Donaldson and Thomas Dunfee (1994, 1995) have developed a theory of integrative social contracts specifying a limited set of “hypernorms” that could be useful for deliberations among multi-national corporations operating in international markets. The framework outlined by John Douglas Bishop (2000) could also be helpful in identifying key considerations in determinations of justice. The Universal Declaration of Human Rights (United Nations 1948) also provides a widely respected reference point for fundamental matters of justice. The forward-looking

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<sup>2</sup>*Public justice* is my term for these duties, as a shorthand way to refer to this particular area of responsibility and accountability.

nature of this process encourages a continually developing sense of the social good at stake and the public good that is possible to attain and sustain.

*Fifth, an avenue of appeal must be available* in case the parties involved cannot agree on rules of procedure or bring concerns or conflicts to an agreeable conclusion. There can also be occasions when trust in the process breaks down under suspicion of being unfair or parties cannot agree when evaluating evidence—which can happen at any point in the process, including during implementation of agreements and monitoring of compliance.

The working assumption is that citizens in public deliberation can understand even complicated issues and weigh the merits and justice of possible outcomes, as juries in criminal cases have done for centuries. Every citizen must be assumed to have a sense of justice and an ability to plan for the good, individually and collectively (Rawls 1996; Corning 2011). Even so, participants in public deliberation face the same hazards of uncertainty, liability, ambition, and loyalty that can compromise moral behavior in the workplace. The advantage in public deliberation is that the standards of public reason allow participants to test evidence and ideas openly, with ample opportunity for additions and corrections.

### 9.4.3 Sites for Public Deliberation

Public deliberation is needed in three arenas: local face to face discussion, research and communication that is extended in time and space, and formal institutional engagement. Each of these is outlined here in general terms, although implementation of deliberation would require close specification of participation and expectations in these arenas.

*Local discussions* will vary in scope with the nature of the participants. One key determinant would be the range of business operations and the size of its market area, which would in turn set boundaries for involvement of affected parties. Even so, it cannot be expected that everyone affected in any way can be directly involved in discussions; some mechanisms of representation would have to be invoked, at least in some aspects of the deliberation. Wide participation can be accommodated through the use of small groups, which can be extremely important in defining issues, establishing agendas for research, and beginning the process of identifying components of eventual agreements. Local, privately owned businesses can work through ad hoc or occasional processes to address matters of justice as claims arise, but it will be necessary to institute regular hearings, forums, and caucuses to address issues and priorities on municipal, statewide, regional, or national scales. Citizen juries and Deliberative Polling® (Fishkin and Luskin 2005) provide additional possible structures and processes.

*Extended communication and research* would involve three stages of activity: the initial fact-finding and communication required to inform deliberations from the beginning, the process of evidence-gathering and communication once the scope and nature of concerns have been identified, and the monitoring and communication



that would be essential to follow through on the agreements that are reached. A variety of interactive tools exists to facilitate social engagement in this phase of deliberation, including asset mapping, land use mapping using GIS or Vista technologies, visualization software and methods, scenario planning processes, keypad polling for on-the-spot profiles of support or divergence, and Internet sites (Snyder 2006). Distributed networks of deliberation can extend across time and space, with periodic gatherings to review findings, air concerns, and raise additional issues that might call for renewed deliberations.

*Institutional engagement* is essential to secure the follow-through on agreements, as well as providing channels for appeals if deliberations break down or if disputes arise in the course of monitoring compliance with agreements. In all cases, the relevant institutions must be identified and agreed upon in the course of deliberations. A general guideline may be that the scope of the deliberation should be reflected in the reach of the institutions involved. In many cases, local municipalities might play this role; in other cases the relevant institutions would be regional or statewide. Global public corporations might require the engagement of institutional structures based on universally recognized human rights, international law, and multinational agreements. At the relevant institutional level, particular agencies or organizations would have to be identified and charged with the responsibility related to the deliberations.

#### ***9.4.4 Organization and Leadership of Deliberative Processes***

Some deliberations should probably be instituted as on-going sites for considering issues that arise on a regular basis, perhaps jointly hosted by local chambers of commerce and municipal planning or economic development agencies—but clearly any credible organization or association with sufficient capacity can assume that organizational responsibility. Other deliberations can be convened as needed and continue as long as needed or possible given social needs and agendas. Because public deliberation is costly in terms of participants' time, local communities must gauge how often and for what purposes it is worthwhile to convene.

Given the potential of public deliberation to resolve disputed claims of justice, it is critical that business schools prepare future leaders to participate actively and fruitfully. In many cases, business owners and managers can play important roles in setting the agenda for deliberations, assembling representatives of various constituencies or stakeholders, establishing procedures and ground rules for the process, receiving and researching claims, and hosting deliberation sessions. Roles such as this build on a long history of business leaders assuming important public duties. In cases involving the justice of business operations, it will be essential for owners and managers to be knowledgeable of the requirements of fair participation and involved in establishing the setting for deliberation. Business schools, also, could provide expertise and support for public deliberations as a part of their engagement with local communities.

Education for leadership in public deliberation requires education in public ethics from beginning to end, so that business leaders understand the nature of ethics—

as differentiated from morals—and can provide ethical leadership within their organizations and in the community of their operations.

## 9.5 The Practical Requirement of Social Analysis

The complexity of business ethics as a matter of justice calls for a careful analysis of the situation in question. Personal perspectives and organizational priorities overlap with social conditions of all kinds: historical and current, economic and environmental, social and political. One way to bring these complexities to a manageable understanding is through the method of social analysis developed by Joe Holland and Peter Henriot (1983). Certainly other methods are available and may be preferable in particular circumstances, but this method can serve in any case to illustrate the range and depth of analysis needed.

### 9.5.1 *The Object of Social Analysis*

Facts or observations do not exist in isolation but are part of a larger whole, and often they are connected in a systemic way that creates its own social or natural dynamics. To cite only one example, the very precise and particular facts regarding ground cover on cropland are meaningful only because of their systemic relationship with natural fertility of the soil, soil erosion, agricultural run-off, polluted waterways, quality of drinking water, and many other related facets of the ecosystem of the farm field. The analysis of parts requires a sense of the whole, as much as an accurate grasp of the whole depends on knowledge of the parts.

Human relationships exist in a similar set of systemic connections that go back in time to formative conditions, moral habits, ideologies, and many other social sources—as well as outward and forward in these same dimensions. In social analysis, it is important to identify linkages among actors, nodes of connection, and the direction of influence. It helpful to think of each person not as an isolated monad but as a node among relations of affection, exchange, meaning, sustenance, power, pleasure, and other social connections. At the same time, the primary data of social relations are the feelings and responses of those who are directly involved. In a sense, all other investigations must be accountable to these personal perceptions: to hear them and to inform them.

Issues as they appear today may have important connections that can be uncovered through careful investigation. Sometimes the connections are obvious, as when air quality is visibly reduced by smoke from distant forest fires. Other times, the connections are hidden as though to resist discovery, as with the effects of asbestos over decades of exposure. It is therefore essential to go beyond anecdotes and surface impressions and to pursue systematic investigations and conduct scientific experiments—or take advantage of those already completed—in order to understand the reality in, among, and behind the issues.

The procedural and substantive obligations of public ethics must begin with the situation of concern and an adequate analysis of the goods at stake. Such an analysis must take into consideration conditions or commitments of prior years that may have been limited in knowledge and foresight or identified as externalities in previous arrangements. To cite a familiar example, so-called superfund sites contain environmental hazards built up over many years, and frequently the organization directly responsible no longer exists. The site must be evaluated in its current state and in light of current social impacts.

Similarly, an adequate analysis cannot be achieved within a framework of strict separation of private good from public goods, because divisions between private and public goods are not definitive. There are significant overlaps in meaning between individual personal concerns, individual business concerns, and larger communal, municipal, or national concerns. Purely private goods are difficult to conceive, since each person participates in goods shared among other persons in a commons or shared by all as part of a public.

On the level of the particular business corporation, there is again an internal dimension that is defined by the organization's mission and exercised in the production and marketing of its services or products. Costs of operation are internalized and carefully accounted for. It is equally true, however, that particular corporations cannot survive without a community or society in which to conduct business, which involves public goods such as fire protection, security, roads, and structured means of cooperation. The contracting parties can distinguish particular goods of exchange from these public goods, but they cannot manage the supply, exchange, or use of these goods without engaging public goods. Similarly, businesses can distinguish themselves from parties external to a particular exchange but they cannot distinguish the value within the exchange from its value in a web of exchanges among customers, suppliers, manufacturers, service providers, financiers, and the policy makers who regulate and enforce the marketplace. Every business exists in a proximate web of exchanges that is an integral part of the larger society of families, communities, species, and natural resources sustaining it.

On the level of communities and particular publics such as municipalities, states, or nations, the good is not sustainable without partnerships of citizenship, trade, national defense, regulatory oversight, and financial management. National borders define levels of jurisdiction but not absolute sovereignty, and it is not possible to understand, defend, or create the good of the nation apart from the good of the larger whole in which it operates, which can be considered a global commons.

Just as the most fundamental unit of the human species is the band or normative reference group (Naroll 1983) rather than the individual being, so the most fundamental unit of public ethics is the commons shared by a particular public, whether that be a civic or professional association, a local community or neighborhood, or a local jurisdiction. The commons got its name as a geographical space and set of shared resources that were maintained and protected in common by a community. This notion of the commons provides a concrete metaphor for the commons at the heart of public ethics at all levels of jurisdiction.

### 9.5.2 *The Process of Social Analysis*

Holland and Henriot (1983) outlined a four-part process of social analysis that adequately takes account of the three levels of social concern described in the previous section. In presenting a rationale for their method, they emphasized the need for rigorous detail but at the same time the necessity of seeing the connections among and within the various dimensions. The process for social analysis proceeds from the individual person's situation to the context supporting and surrounding the individual in four stages: personal analysis, class analysis, historical analysis, and structural-thematic analysis.

*Personal analysis* is intended to locate the person in relation to the social situation of concern. Of critical importance at this level are the person's interests and commitments that provide keen insight into the situation or may limit perceptions and bias judgments. Relevant questions can include:

- What is my personal connection to this situation, in regard to where and with whom I live and work?
- How does the problem or issue affect me personally?
- What is my personal interest in addressing or learning about this issue?
- What is my involvement with, dependence on, or commitment to ideologies and power centers that may be involved in this situation?

*Class analysis* is an attempt to sort out the social influences and disparities in the situation and their effects on various categories of the population. Careful identification and definition of concerns is important here, in order to adequately grasp how the situation is being created and sustained and how it is affecting different persons. It can be important to look at wage structures as well as employment, public health as well as access to health care, or recreational opportunities as well as public safety or crime rates. Distinctions such as those between equality and social equity (Guy and McCandless 2012) can be critically important in evaluating the level of concern and pointing the way to solutions. Relevant questions can include:

- Who made or makes the decisions that affect this issue?
- Which groups or subsets of the population are most injured by these decisions or this problem? Who bears the cost?
- Which groups or subsets of the population benefit from these decisions or this problem? How do they benefit?
- What are the important measures of harm and benefit, in regard to business or community inputs, outputs, outcomes, or long-term impacts?
- Are there category-based differences in measures of social equity or procedural equality?

*Historical analysis* is ultimately directed to uncovering the source and sustaining power of concerns in the situation. It also looks forward, charting or estimating the trajectory of the concern as it can be expected to grow or diminish over time. Demographic considerations provide a good example of this, both in the record of

change through past migrations or birth rates and in projections of future changes and their effects. Within the context of demographics, concerns such as air pollution, educational costs and quality, or racial segregation can be seen more clearly. Relevant questions can include:

- What are the roots of the concerns manifested in this situation?
- When did these concerns appear, and how were they caused and understood at that time?
- How have the concerns changed through time, in terms of the concerns and those affected?
- What entities or chains of persons have been involved in this situation through its history, and what roles have they played?
- What directions will this issue take in the future, and what will the consequences be?

*Structural-thematic analysis* is an attempt to articulate the institutional, moral, conceptual, and ideological dimensions of the issues in the situation of concern. Differing comprehensive world views or political frames set the stage for different evaluations of causes and effects and the relative seriousness of issues. For example, some people hold a deep conviction that human beings cannot affect something so large as the global climate, so they tend to dismiss evidence that would conflict with this view. In the public arena, many citizens hold two beliefs at the same time that can point in contradictory directions: common examples are pairs of ethical commitments such as individual autonomy vs. relational affection and loyalty, individual liberty vs. the need for social order, or the sacredness of private property vs. the certainty of social obligations. Such contradictory ideological positions can play a large role in preventing closure on social conflicts, because fundamental moral commitments are at stake on either side of the issues. It is essential to expose these commitments to critical evaluation. Relevant questions include:

- What are the underlying values that have shaped the perspectives and decisions of those acting in this situation?
- What are the conflicting arguments, principles, aspirations, or commitments that continue to keep this issue alive?
- Which institutional structures or alliances have a stake in this issue?
- What societal or policy contradictions are involved in this issue?
- What are the limit-situations that people face, in which they are confronted with fundamental life-changing choices or losses in personal welfare or personal freedom?

These four stages in social analysis are designed to guide participants through potential barriers to a clear view of the situation. The personal analysis helps identify how this situation may be affecting oneself, what one's own interests are, and how this situation may abide with one's own commitments, history, ideas, or power. The class analysis helps identify whose decisions affect or shape the situation and what categories or groups of people are affected, injured, or benefiting by the situation. The historical analysis helps identify the roots of the situation, how it devel-

oped, and what forces allow it to continue and will shape its future trajectory. The structural-thematic analysis helps identify the values shaping perspectives and decisions in this situation, the arguments being used, the possibly conflicting principles and commitments being defended or displayed, and the limit situations people involved are facing. Taken together, all four stages of analysis help participants determine what kind or kinds of justice are at stake.

In schools of business, students can learn to recognize situations in their own workplaces or communities that have potential ethical conflicts involved, which can be the raw material for accurate description, analysis, and reflection on possible solutions. As they recognize or are presented with situations that require the facilitation of collective recognition of problems and problem solving, they can also learn to facilitate group interaction, design fair and manageable public processes, and engaged in conflict management regarding ethical challenges in civic life and in government and business operations. A valuable enhancement of learning for social analysis would be direct involvement in actual on-going cases and projects in the public arena.

## 9.6 Conclusion: Self-Interested Pursuit of the Good

To be more practically relevant, business ethics education must be reoriented from a preoccupation with perceptions of a public problem—aberrant business behavior—to a pragmatic pursuit of private and public good. This requires a reorientation from the formation of moral character to the duty of strategic, deliberative, and accountable efforts to achieve real good and contribute to the civic order. This reorientation has two significant implications: First, it would shift primary accountability for business ethics from personal integrity and conscience (internal forum) to the satisfaction of legitimate claims of justice (external forum). Business ethics would not only be a question of what wrongs can be avoided; it would also be a question of what good business can do. A second implication is that external accountability for the pursuit of the good would bring management closer to having a clear ethical duty in the public arena (Buchholz 2009, p. 3) and thus closer to the managerial professionalism pursued over the last century in business ethics education.

The familiar territory of business ethics is contributing to the civic order through participation in the market economy as intended by the founders of this republic: expanding political freedom through equal opportunity to prosper, building national cohesion through civic infrastructure and cooperation, ensuring the general welfare through equitable access to material goods and property, stewarding precious resources, and refraining from environmental harm. Exercising these social responsibilities in the public arena involves businesses in multiple opportunities to build the public good but also equally numerous challenges in achieving the good or agreeing on just arrangements of costs and benefits. To address these challenges and disagreements, business leaders should be prepared to participate in public deliberation that can address such matters of justice.

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# Chapter 10

## Moral Formation in Four Essential Components: Sensitivity, Judgment, Motivation, and Character

**Abstract** The central importance of moral formation for social responsibility calls for careful consideration of how morals are formed and how the moral norms in business actually function. To bring this analysis into focus and provide a framework for investigating the dynamics of moral behavior in business, this chapter is organized around the Four-Component Model of moral functioning composed by James Rest: moral sensitivity, moral judgment, moral motivation, and moral character. This model was designed to answer the question of what is required to act morally, as well as to explain how persons who clearly knew what was right could act otherwise. Given the ordinary hazards of uncertainty, loyalty, ambition, and liability that compromise moral behavior in the workplace, greatest attention is given to the component of moral sensitivity and the recognition of moral concerns in business situations and decisions. Careful analysis of these components lays the groundwork for a program of moral apprenticeship, which is addressed in the next chapter.

**Keywords** Moral formation • Four component theory • Moral sensitivity • Moral reasoning • Moral character • Moral motivation

### 10.1 Introduction

It is important to look closely at the way social norms in business decision-making shape moral attitudes and internalized habits of morality. The process of socialization in the world of business is shared and fostered in schools of business, and as such it is central to the work of business ethics education. The AACSB neatly made this connection in its report from the Ethics Education Task Force, “We must socialize students in the obligations and rewards of stewardship, including the concerns of multiple stakeholders and the responsible use of power” (2004, p. 9).

Most of that Task Force’s recommendations, however, focused not on socialization but on the currently predominant cognitive content of business ethics education, with these three aims: to give students a deeper understanding of their responsibilities as business leaders, to provide tools for recognizing ethical issues, and to provide opportunities to analyze case studies (2004, p. 9). According to the

Task Force, students are taught to approach ethical decision-making as a “values clarification process [that] involves prioritizing one’s values and being prepared to deal with values conflicts that might occur, for example, when success and security clash with justice or honesty” (AACSB 2004, p. 13). To guide them in understanding ethical requirements and prioritizing moral values, students are encouraged to select among three ethical decision-making frameworks: a consequentialist approach, a deontological approach, and virtues ethics (p. 12). How helpful these cognitive aims and frameworks might be as practical guidance for making business decisions has been discussed in the preceding chapters. In this chapter we turn our attention to the shaping of moral attitudes through socialization in business schools and in the world of business.

## 10.2 Moral Attitude Formation in Business and Business Education

The starting point for examining attitude formation has to be the already-operative socialization process in society and commerce before students ever enter a school of business. Moral attitudes toward business are already being shaped by personal experiences in our market-based economy and society beginning in childhood and continuing as adults, including personal activities in the marketplace, in the workplace, and in close relationships within and to business enterprises and owners. Although the AACSB report did not say this, this socialization and value formation are already in place long before anyone steps into an ethics class. The private property free market mentality would be pervasive and powerful even if it were not consciously promoted, but, in fact, it *is* promoted—in our economic and political culture and in our business schools. How marketplace moral attitudes and values are formed through socialization, and how these attitudes and values are reinforced in business schools, is the formative context for business ethics education.

### 10.2.1 *Moral Instinct*

The capacity for moral functioning is innate in primate species, and among humans its development is greatly augmented by experience and learning. In that sense, morality is innate yet “experience-expectant” (Iran-Nejad and Marsh 1993): it is a human capacity that awaits the experience of culture to give it particular shape.

To say that humans have an instinct for sociality does not mean that social interaction is predetermined or dictated by an innate sequence of behaviors, but that sociality is an innate goal. Humans have a built-in yearning or need for a social network. Behaviors to fulfill this need must be learned, and humans are genetically disposed to learn such behaviors. Thus, culture—including morality—is a learned response to this innate yearning, “an elaborate set of programs” reproduced and revised through successive generations to fulfill instinctive

goals (Naroll 1983, p. 130). Cross-cultural evidence indicates that “hardly any human beings live alone and no culture teaches them to” (Naroll 1983, p. 132). Rather, most people live with their immediate family or a larger group, and they are sad and lonely when separated from this group for too long. Indeed, there is no culture to which we can look to observe how children and youth are trained not to belong to groups. (Schweigert 2000, p. 75)

There is no part of human experience that does not affect moral development, beginning with nutrition and stress in the mother before birth and continuing with the quality of care, amount of physical touch, levels of trust, expressions of affection, processes of attachment, and experiences of security or danger in the environment (Narvaez and Vaydich 2008). From the very beginning of each life, neurological development weaves together a yearning for connectedness and a capacity to connect: to read the subtle signals of facial expression, to form bonds, to crave touch and fellowship, and to learn a sense of reciprocity and fairness in the day-to-day exchanges of affection, food, and protection.

Different parts of the brain are activated in different cognitive and moral functions, often with inconsistent influences by different parts of the brain (Narvaez and Vaydich 2008, Textbox 2, pp. 293–294). Moral sensitivity or appraisal, for example, combines elements of emotional experience and cognition to varying extents, activating the amygdala and frontal cortex (p. 295). Although brain development related to moral functioning is more rapid in infancy and youth, it continues into adulthood. There is no point at which moral learning ceases, nor is there a point at which moral functioning settles into a firm and stable configuration.

Moral development does not culminate in a clear hierarchy of values or prioritized moral principles. Instead, evolution has equipped humans with three moral orientations (Narvaez 2008), all rooted in affective processes and all continually shaped by experience:

The Ethic of Security is focused on self-preservation through safety and personal or in-group dominance. The Ethic of Engagement is oriented to face-to-face emotional affiliation with others, particularly through caring relationships and social bonds. The Ethic of Imagination coordinates the older parts of the brain, using humanity’s fullest reasoning capacities to adapt to ongoing social relationships and to address concerns beyond the immediate. Each “ethic” has neurobiological roots that are apparent in the structures and circuitry of the human brain. When an individual treats a particular orientation as a normative imperative that trumps other values, it has ethical significance...In fact, each ethic has its virtues—Security: loyalty, bravery; Engagement: compassion, self-sacrifice; and Imagination: open-mindedness, procedural justice. (Narvaez and Vaydich 2008, pp. 305–306).

Thus, both social experience and neuroscience show that moral judgments are mixed with intuitions and “driven by internal multiple unconscious systems operating in parallel” to conscious thought (Narvaez and Vaydich 2008, p. 292). These considerations are of great interest to moral educators—and parallel the concerns of this chapter—because they indicate that moral learning includes moral attitude and capacity formation as well as cognitive instruction and exercises in moral reasoning. With this general background in mind, we can look more closely at moral attitude formation in business and in business schools.

### ***10.2.2 The Power of Social Norms in Business and Business Education***

In its report on “examples of breakthrough business thinking emanating from academia,” the AACSB report from the Doctoral Faculty Commission listed “key advances in agency problems, corporate governance, capital asset pricing, capital budgeting, decision analysis, risk management, queuing theory, and statistical audit analysis” (AACSB International 2003, p. 17). The priority given to the concerns of economic performance and strategic advancement is clear: these are the concerns that matter in business, and these are the concerns which should matter to students who want to become successful business leaders and business scholars. “Management scholarship in the United States has been dominated by a focus on economic performance at the expense of social welfare concerns, and when these concerns are addressed, attempts are made to link them to other concerns, such as economic performance” (George 2014, p. 10). This educational emphasis prepares students for the corporate environment, where managers try to convert moral concerns into economic terms and thus strip away their emotional impact, effectively bringing these concerns under the institutional logic of the company (Jackall 2010, p. 131). Abstraction creates social distance from the effects of management decisions; it is much easier to discuss a workforce reduction of two FTEs than to discuss laying off Carolyn and Carl.

Students of business thus learn both the skills of financial management and their social uses in a corporate environment, in giving priority to economic performance in business operations.

Some of the beliefs and values underpinning American corporate capitalism include the pervasiveness and desirability of the pursuit of self-interest, the benefits of competition and market exchange, consumerism and materialism, the sanctity of private property (and viewing natural resources as private property), the importance of economic growth, and the appropriateness of using a profit/loss criterion when making decisions and evaluating options (Kasser et al. 2007). American corporate capitalism also encompasses the belief that people can get ahead through their own hard work and effort, the value of individualism, and even maximizing self-interest to the point of greed (Wang and Murnighan 2001). (George 2014, pp. 8–9)

That they do learn these values, and that they result in an adjustment of value priorities, was shown in Krishnan’s (2008) study of the impact of MBA education on student values: other-oriented values moved down in priority, and self-oriented values moved up.

Business schools teach transactional cost economics as valid for economic analysis, analysis of human behavior, evaluation and informing of managerial decision-making, and analysis of political priorities (Ghoshal and Moran 1996). In their review and analysis of the existing literature, Ghoshal and Moran show that transactional cost economics has been proven empirically invalid for all of these kinds of analyses and evaluations. By teaching it, business schools advance an ideology of

American corporate capitalism that justifies a social norm of self-advancement over consideration of effects on the commons.

It might be argued that these are *social* norms, not moral norms, and thus not competing or compelling in the formation of moral conscience. Examples of such social expectations might be dressing for success, aspiring to increase one's income, seeking promotions in the workplace, staying late at the office to complete important projects, or even joining the management team for a golf outing. None of these expectations has moral content, at least not directly.

Yet, they still appear to be backed by some kind of normative force. Let us call this understanding of group members that they all *ought* to obey the standard of conduct defined by a social norm the *normativity* of the norm. Social norms are also typically enforced by sanctions such as praise and blame, social inclusion and exclusion. The normativity of the norm is whatever members of the social group appeal to in holding one another accountable to it and justifying the imposition of sanctions. (Anderson 2000, p. 171; emphasis in original.)

Anderson examined various explanations for the normative force of social norms, including self-interest in advancing one's position or avoiding sanctions, before concluding that the most sustainable explanation is identification with the group as a "plural subject":

a set of people who think of themselves as a "we," and understand one another to be jointly committed to some goal, belief, or principle of action. In so identifying with a group, an individual accepts responsibility for doing her part in advancing the group's goal. ...A member's commitment to advance organizational goals is conditional on enough of the others doing their part to sustain an understanding that the members really constitute a coherent group. (Anderson, p. 192)

In a manner similar to Lave and Wenger's account of learning as a social process of "legitimate peripheral participation" (1991), the normative force of social norms grows as an individual advances from the periphery of a group toward its center—a process of identification of self as becoming a valued and contributing member of the group. Anderson identified this *ought* as "constitutive of commitments of collective agency" (2000, p. 193). It is deeply embedded through our evolutionary history as a necessary element of group and individual survival. The effectiveness of groups and work teams depends upon this socializing instinct, not merely as information-sharing systems but as a process of group identity formation (Liao et al. 2012).

Referring to Hollingshead (1998), Liao and colleagues began their study by defining a "transactive memory system" as "a shared cognitive system for encoding, storing, and retrieving knowledge uniquely held by individuals, based on having a collective awareness of each other's specialized knowledge domains" (Liao et al. 2012, p. 205). Numerous studies they cited have shown, however, that cognitive information processing cannot explain what happens in successful teams. Rather, team members share relationships, build social capital, and create a group identity (pp. 206–207). The resulting team identity is a combination of each individual's professional identification (outside the team) and the shared identity within the team (p. 207). Bronfenbrenner (1979) described this kind of integration as part of "an

ecology of human development,” bringing one’s professional identity and expertise in an “exosystem” to the “microsystem” of team interaction. The motivation for sharing knowledge arises from “*psychological and affective ties to the group...to think, behave, and interact with each other in a manner consistent with the group goals and norms*” (Liao et al. 2012, p. 212; emphasis in original).

Most pertinent to an understanding of the power and importance of social norms in shaping moral attitudes is the fact that self-identity changes to fit social identity: “Social identities can guide a person’s attitudes and behaviors to become more aligned with the group’s norms and goals because individuals are motivated to behave and think in a manner that is consistent with being a prototypical in-group member” (Liao et al. 2012, p. 218). This alignment of individual “attitudes and perspectives” enables team members to “capitalize and transfer each other’s knowledge through better consideration of each other’s knowledge” (pp. 218–219). The entire process is strengthened through feedback loops that continually reinforce individual behaviors that in turn reinforce group identity and effectiveness (p. 220).

Thomas Oberlechner addressed this process of social identification in his report to the CFA Institute on ethics in the finance industry, warning of

a harmful, concurrence-seeking tendency of groups that is motivated by the members’ conformity needs...lead[ing] the group members to become less realistic in their opinions, less efficient in using their intellectual resources, and less demanding in their moral standards. (Oberlechner 2007, p. 48)

In light of the 2008 crisis in the financial industry that triggered the Great Recession, this warning was prescient. Oberlechner pointedly observed that the attitudes, decisions, perspectives, and standards of group members tended to converge “until they are practically identical” (p. 46).

What is essential to understand is that this process of convergence is necessary for effective team functioning: it is a requirement of successful business operations. This above all exposes the fallacy and ineffectiveness of ethics education that instructs students to courageously stand by their own values in the face of group pressure. The values clarification education at the heart of current business ethics education carries the assumption that each person approaches business decisions with an established and stable set of values against which pending decisions can be weighed. Quite the opposite is true: although some values are more dearly held than others, our values are neither stable nor clearly prioritized; rather, they shift to accommodate our social surroundings (Krishnan 2008; Curzer 2014). Indeed, it is essential that they do so, or we would not be able to successfully integrate into new groups and form effective, highly productive work teams (Anderson 2000; Liao et al. 2012).

The aim set forth by the AACSB Task Force was “to build a community of scholars and students in which ethical principles are not platitudes, but reality” (AACSB 2004, p. 15). To achieve this kind of community requires the cultivation of essential moral attitudes. As matters stand now, the social norm of rational choice theory predominates in business education and thus becomes—in itself—the preeminent moral value in business management. It is the criterion against which managerial

performance will be measured and according to which peer and supervisor affirmation will be bestowed, first in the educational community and by extension in the business community.

### 10.3 Attitudes and Behavior: The Four Components of Moral Functioning<sup>1</sup>

It is helpful to examine the dynamics of socialization in a framework for moral decision making and action using the Four Component Model developed by James Rest. Although there are other frameworks in the literature (summarized in Moores and Chang 2006), the Four Component Model is the most widely used and has the most empirical validation—at least in regard to the moral reasoning component.

Rest asked “What must we suppose happens psychologically in order for moral behavior to take place? We wind up with at least four distinct processes” (1994, p. 23). Rest described the four processes as components of moral functioning, all of which are necessary for moral behavior: moral sensitivity, moral judgment/reasoning, moral motivation, and moral character (1994, pp. 22–25).

In pursuing this approach to understanding moral functioning, Rest took a step beyond his mentor, Lawrence Kohlberg, who had insisted that behavior could not be considered “moral” unless it involved “internal moral cognition or moral judgment” (Kohlberg and Candee 1984, p. 55). In locating cognition and judgment at the center of morality, Kohlberg aligned his theory of moral development with the Western philosophical tradition of free will, in which moral actions were distinguished from other behavior by an explicit cognitive judgment, a personal decision to do the right thing or to refuse to do it. He saw this definition as most consistent with the rationalist understanding of Immanuel Kant but also compatible with the naturalistic approach of Aristotle or John Dewey, all of whom placed moral reasoning at the center of moral behavior. Kohlberg emphatically rejected a social behavioristic approach in which persons were seen to act morally on the basis of socialization alone, “without reference to the actor’s thought” (Kohlberg and Candee 1984, p. 55).

What led Rest beyond this cognitive focus was that persons who knew the right thing to do sometimes did not do it, which led to the identification of other necessary components of moral functioning.

The value of the Four-Component framework lies in its usefulness for understanding the reasons for moral failing, thus enabling the educator to design more effective educational experiences... Adequate functioning in all four components is the goal of the program. (Bebeau et al. 1999, p. 23)

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<sup>1</sup>The Four Component Model of James Rest was briefly summarized by this author in “The Pragmatic Pursuit of the Good,” previously published in *Democracy & Education: Collected Perspectives*, Viktoria Byczkiewicz (Ed.), pp. 35–82. Los Angeles, CA: Trébol Press, 2014. Used with permission of the publisher.



Proponents of the Four Component Model believe that educators should examine their programs' effectiveness in each of the four components. For example, moral literacy—that is, knowledge of professional codes of conduct or legal mandates—might increase moral sensitivity and inform moral judgment, but may have no effect on motivation or character. Moral functioning requires all four components; thus moral education must address all four components as well.

Business schools face the somewhat more complicated task of combining moral formation with preparation for ethical leadership. In this chapter, we examine the context and requirements for moral formation in business in light of the four components, including the demands of moral leadership, both symbolic and explicit. Ethical leadership will be addressed in the next chapter.

#### **10.4 Component 1. Moral Sensitivity: Interpreting the Situation**

“Moral sensitivity is the awareness of how our actions affect other people” (Rest 1994, p. 23) or “the ability to interpret the reactions and feelings of others” (Bebeau 2002, p. 283). It calls for moral imagination in “constructing possible scenarios” for “possible lines of action and how each line of action could affect the parties concerned (including oneself)” (Bebeau et al. 1999, p. 22). It is a combination of “cognitive and emotional information processing, such as moral perception, moral imagination and empathy” (Narvaez and Vaydich 2008, p. 296). This necessarily includes perceiving who is involved and who cares about what is happening, empathy for those involved, and seeing oneself with certain role-related responsibilities (role-taking skills). It would also include awareness of possible lines of action and how these might affect others, imaginatively constructing various scenarios action could take, the cause-consequence relationships among events (D. Narvaez, personal communication, Spring 1996).

Moral sensitivity is hardwired into the human brain and develops naturally with emotion, memory, behavior, and relatedness to others—including the social feedback that continually helps form the brain's capacity for sensitivity. “Primate brains are so sensitive to social stimuli that they react to the action of others as if the observer herself is acting” (Narvaez and Vaydich 2008, p. 296). Such affective reactions can encourage or discourage a response, thus moral sensitivity can require an interpretation going beyond initial impressions or “gut reactions” (Narvaez 1991, p. 360). Kelly and colleagues (2006) observed, however, that the recognition of a moral situation requires a tolerance for moral ambiguity because such situations are not often clear-cut. People with well-developed moral sensitivity will not only recognize when morality is at stake but also grasp the morally relevant features of the situation—exercising a kind of social intelligence about what is going on, how people are being affected, and what sort of response is required (Curzer 2014, pp. 107–108).

Recognizing how professional codes of conduct or legal mandates apply to a given situation requires moral sensitivity (Bebeau 2002, p. 283). Moral norms cannot simply be applied as though they are formulae; rather, each situation must be interpreted

and the possibilities for moral action—doing what is right or good—must be constructed to fit the situation (Gadamer 1979). Studies of education effectiveness using the Defining Issues Test (DIT) show that instruction can improve moral sensitivity but “one cannot assume that education that focuses on ethical reasoning will influence the interpretive process” at the heart of moral sensitivity (Bebeau 2002, p. 284).

In his review of the literature relevant to teaching ethics in marketing, Thomas Wotruba noted that “a business curriculum produces greater ethical ‘tolerance’ among students than nonbusiness curricula, suggesting that a business curriculum may inherently reduce sensitivity to ethical values as opposed to economic or other values” (1993, p. 3). More recent studies continue to confirm these findings (e.g., Oberlechner 2007; Krishnan 2008; George 2014), showing that the reduction of moral sensitivity is a central concern for business ethics. Oberlechner (2007, pp. 36–37) described in more detail how moral sensitivity can be reduced by changing one’s perception of the behavior, of its consequences, of our responsibility, and of the victims. In practice these mechanisms can be difficult to distinguish and even difficult to observe, but their effects are nonetheless powerful in the exercise of moral responsibility. A close examination shows that moral sensitivity can be reduced without those involved ever realizing or admitting any slippage in their sense of moral integrity.

### ***10.4.1 Changing Perceptions of the Behavior***

Our perception of the morality of behavior can be changed by explicit justifications, substitutions in language, and “soothing comparisons” (Oberlechner 2007, p. 37). A case in point is the use of euphemisms in the finance industry, e.g., selling unprofitable investments from the bank’s own books is called “jamming” bonds rather than deceiving the customer. A host of business terms come to mind, such as downsizing, right-sizing, outsourcing, adjusting (rather than changing), regulatory action or event (rather than a fine), idling (rather than closing down), restructuring (rather than laying off employees), and more. The finance industry has terms of its own:

“spinning”—when favoured clients received hot, pre-IPO stock and sold it after the price rose when trading began; “laddering”—when preferred clients received hot, pre-IPO stock from banks who knew they would sell the stock into a rising market and then buy more; and “late trading”—when hedge funds were allowed to trade in shares of mutual funds after the trading had closed for the day. (Cohan 2014, para. 4)

These euphemisms are usually treated as corporate jargon or spin that can soften possible negative public relations effects, but they also affect the perception of the morality of the actions by the decision makers themselves, because “our understandings of moral issues are embedded, in large part, in the everyday discourses and conversations in which we participate” (Bhatia 2000, pp. 149–150). Humans use language to share information and meaning with others, but that use of language is also constructing meaning in the mind of the speaker, linking internal understanding to “the larger social and moral order” (p. 152). We often say that “seeing is believing” but it also true that what we believe changes what we see.

In recent years, some researchers in the field of moral development have specifically attempted to locate the origins of moral meanings in language-based communicative practices such as dialogue, conversation and narrative... Rather than explaining children's acquisition of moral knowledge as functions of higher order cognitive structures and representations, these theorists propose a narrative and dialogical view of morality. One of the premises of such a view is that children's moral knowledge about concepts such as self, justice, welfare, trust, sacrifice and duty are inherently produced in *relation* to others. Another pivotal idea proposed by theorists who adopt a "narrative/dialogical perspective" is that our moral meanings are constructed in and through the "words, languages and forms of discourse" that we encounter in our *dialogical* and *narrative* exchanges. (Bhatia 2000, p. 153. emphasis in original.)

By changing the language we use to describe our actions, we can diminish or augment their moral significance. The language used in business schools to describe business operations socializes students into a world of associated moral meaning. The use of terms such as "opportunism" and "strategic behavior" do not simply mask the dishonesty in making false or empty promises in business transactions for the sake of individual advantage; such terms help convince the speaker that this behavior is ordinary and even morally acceptable.

### ***10.4.2 Changing Perceptions of Harmful Consequences***

One's perception of the damaging consequences of behavior can softened by avoiding or distorting the reality or "playing down" what actually occurred (Oberlechner 2007, p. 37). Keeping behavior invisible allows us to avoid the moral questions involved, as "out of sight, out of mind." Inferior construction materials are hidden beneath wallboard, and leaking pipes are buried beneath the streets: they are out of sight and easily dismissed as inconsequential. Moral considerations of large unidentified donations are avoided when funds are passed through nonprofit corporations to support political campaign. Those actions are legal, but the avoidance works equally well in illegal behavior, as when Kareem Serageldin concealed "hundreds of millions in losses in Credit Suisse's mortgage-backed securities portfolio" (Eisenger 2014). The effects of tobacco smoke and asbestos provide notorious examples of consequences that were fully evident but only convincing if one looked at patterns across time among large populations. The struggle to regulate formaldehyde faces the same plausible denial of serious health consequences and appeal for yet more evidence (Lipton and Abrams 2015).

As an example of downplaying damaging consequences, the recent lobbying by the American Chemistry Council and the National Flame Retardant Alliance stands out. The harmful effects of smoke from flame retardants are well documented—especially as suffered by firefighters—and the benefits of these chemical treatments of furniture are minimal (Parsons 2015). Yet representatives of retardant manufacturers oppose legislation that would stop the use of these treatments by arguing, in part, that all smoke is harmful if breathed and, after all, fighting fires is a dangerous occupation. The retardant itself is invisible and apparently harmless as it abides in living room sofas and chairs, and the damaging consequences for firefighters can be

softened in the public eye by mixing retardant fumes with all other kinds of smoke in home fires.

A very troubling example of down-playing or avoiding the harmful consequences of behavior appears in institutional patterns of sexual abuse and harassment, physical abuse, racial discrimination, and gender discrimination. The pattern of sexual abuse and organizational cover-up in the Archdiocese of St. Paul and Minneapolis provides an example of institutional avoidance that can be seen in many other institutions including schools, prisons, youth-serving organizations, police departments, and religious denominations (Hopfensperger 2015). The harm done to victims was minimized by referring to priests who “took liberties” with their victims or were overly “friendly,” then keeping them quiet through threats and favors and treating each case as an isolated event. The harmful actions of perpetrators were minimized by not reporting the crimes, referring abusers to secret counseling locations, and reassigning them without informing their new assignments of past problems. “The archdiocese’s failure to protect these children is part of an institutional pattern of allowing unsuitable priests to continue working in the church, and have access to children” (Hopfensperger 2015, under “precedent setting”). The prosecuting attorney charged that Archdiocesan officials “time and time again turned a blind eye in the name of protecting priests at the expense of protecting children.” (Forliti 2015, para. 5).

How can intelligent and otherwise caring people “turn a blind eye” to such harm? In looking at similar cover-ups at Pennsylvania State University and in the financial industry, researchers Bazerman and Tenbrunsel called this kind of institutional avoidance *motivated blindness*. “Rather than a defense of unethical behavior, motivated blindness offers a psychological explanation of how unethical behavior may come about” (Bartlett 2011, p. A9). The researchers called it the “dark side of loyalty.” They also pointed to two other psychological mechanisms for avoiding moral responsibility: *under-rated self-interest*, in which “people tend to underrate the degree to which they’re acting in their own self-interest,” and *indirect blindness*, “when responsibility is shifted from one party to another.” Campus officials who seal records of sexual assault to protect victims and to protect the university’s reputation may be under-rating their self-interest in protecting their own incomes. The handling of Jerry Sandusky’s abuse of children at Penn State shows how indirect blindness can allow reduction of responsibility by reporting an offense through a chain of command: a former quarterback reported an occasion of abuse to the head coach, who reported to athletic director, who reported it to the university president; at each step, moral responsibility was reduced by reporting the offense to someone else. By the time the report reached the president, the nature of the incident was no longer clear (Gladwell 2012).

### ***10.4.3 Changing Perceptions of Responsibility***

Even when admitting that the behavior is wrong and the consequences are harmful, it is still possible to lessen a sense of responsibility by diffusing or displacing the connection between the behavior and the consequences (Oberlechner 2007, p. 37). In regard to ethics in marketing, Thomas Wotruba suggested that “individuals soften

or eliminate any dissonance they might experience from their own unethical decisions or behaviors through the use of ‘neutralization’ techniques. These techniques include denial of responsibility, denial of injury, denial of victim, condemning the condemners, and appealing to higher loyalties” (1993, p. 5).

One of the challenges in tracking responsibilities for the oil rig explosion in the Gulf of Mexico in 2010 was a diffusion of oversight responsibilities among British Petroleum, Deepwater Horizon, and the Minerals Management Service which oversees offshore drilling (Urbina 2010). In the aftermath of the explosion, each partner could point to the others as failing to demand compliance with safety standards, but it seems clear that in the months leading up to the disaster each responsible party felt able to shift the responsibility to some other player. A similar diffusion of responsibility occurred in the contamination of drinking water in Flint, Michigan (Burke and Lynch 2016). Fingers have pointed to federal regulators, the governor’s office, the Flint water engineers, and others—making it difficult to determine how much fault lies where.

A telling example of diffusion and displacement occurred in the for-profit higher education industry, as documented by the U.S. Senate Committee on Health, Education, Labor, and Pensions (U. S. Senate 2012). The business model for these schools was to maximize the draw upon federal education dollars in order to maximize the return to investors and raise stock prices. As a result, they rarely charged tuition lower than the maximum allowed for federal aid and encouraged students to load up on debt, spurred on in part by aggressive marketing to these students with exaggerated promises of employability upon graduation. It was legal but less than honest—and highly damaging to students. Yet moral responsibility was diffused by the fact that nearly all the for-profit competitors operated the same way, and responsibility was displaced by reference to typical business language: charge what the market will bear, the buyer is responsible to check out the facts, and it’s up to the government to set the rules of the game. In other words, this is how the competitive marketplace works: We pitch our product and they pitch theirs, and the customer chooses. *caveat emptor*. Ironically and tragically, the hard sell was made easier because of accumulated institutional trust: It was occurring in an industry with two centuries of history in this country as a public service that prided itself in taking responsibility for the good of the students, often to the extent of taking the place of parental oversight.

In explaining the lack of prosecutions of top finance executives following the 2008 financial crisis—despite extensive evidence of illegalities and unethical practices—Attorney General Eric Holder admitted that,

in the corporate context, sometimes bad things just happen without actual people being responsible. “Responsibility remains so diffuse, and top executives so insulated,” Holder said, “that any misconduct could again be considered more a symptom of the institution’s culture than a result of the willful actions of any single individual. (Taibbi 2014, p. 54)

Note several indications here regarding moral formation in the business world: moral responsibility is displaced from the individual to the corporation and from the individual to the industry’s “institutional culture,” and it is diffused among all the employees of the organization leaving the top executives isolated from responsibility because they were too far away from the real actors.

Any credible teacher attempting to teach a moral lesson to a group of fourth graders would immediately perceive the problems with diffusion and displacement and take steps to bring the lesson home to those who had started the wrong-doing, or encouraged it, or directly participated. Similarly, when students were recorded leading a racist chant on a University of Oklahoma bus, those leading the chant were suspended and the fraternity closed (Moyer 2015). Perhaps they, too, felt that they were no more responsible than anyone else on the bus and that they were merely acting out the culture of their fraternity or, more broadly, a long-standing tradition. Yet the University refused to displace responsibility, in part because officials recognized immediately that such excuses would not be acceptable to the public: the explicit racism involved could not be diminished because the video had already reached thousands of viewers.

Moral formation is never *not* happening. It is, indeed, carried in institutional norms and culture, and participants in the institution and culture must conform to belong. To nurture a sense of individual responsibility requires institutional norms and culture that can counteract moral displacement and diffusion.

#### ***10.4.4 Changing Perceptions of Victims***

Empathy and compassion for victims of wrong-doing can be diminished if the victims are dehumanized or blamed for their own suffering (Oberlechner 2007, p. 37). Remarks of this sort are pervasive in contact sports, where athletes engaged in boxing, football, and soccer are exposed to concussions which might lead to early dementia: The players, it is said, know what they are getting into. In recent years, public pensions are being criticized as too expensive and driven up too high by public workers' unions, thus forcing states and cities—and workers themselves—into expensive bailouts. The blame is misplaced:

The “unfunded liability” crisis had nothing to do with the systemic unsustainability of public pensions. Thanks to a deadly combination of unscrupulous states illegally borrowing from their pensioners, and unscrupulous banks whose mass sales of fraudulent toxic sub-prime products crashed the market, these funds were out some \$930 billion. Yet the public was being told that the problem was state workers' benefits were simply too expensive. (Taibbi 2013, p. 37).

The pensioners and workers were taken advantage of, and are now blamed for their own losses.

Overweight people are blamed for eating too much, exercising too little, and having the wrong genetics—but there is good evidence that the food industry has helped create the demand for high calorie, low nutrition foods with high profit margins: A systematic effort was made to

discourage cooking and increasing reliance on packaged foods...increase the number of “eating occasions” people indulged in and the amount of food they consumed at each... emphasize cheap and often unhealthful ingredients that maximized taste, shelf life and profits...promote larger portion sizes. (Mudd 2013, p. SR4)

Rest emphasized the importance of cultivating moral sensitivity in a process of deliberation from perception of a difficulty, through awareness of the bearing and direction of the difficulty, to identification and naming of the problem, to consideration of alternative courses of action—working with actual social factors and pending decisions. This view of moral sensitivity is very similar to what Dewey outlined as the “dramatic rehearsal” that takes place in moral reflection (1922/2008, p. 119). Dewey (1909/1975) also called attention to the need to cultivate “a prompt and almost instinctive sensitiveness to conditions, to the ends and interests of others, [without which] the intellectual side of judgment will not have proper material to work upon” (p. 52). Given the social nature of perception, this kind of sensitivity would be fostered by increasing group awareness of actual conditions, review of previous courses of action, and evaluation of results in terms of the good done. This kind of study or learning would be synonymous with the social science research and evaluation studies but would proceed beyond investigation and assessment to choosing and implementing the best choice available.

Perception of contributing conditions would be central to moral education in learning to identify “that antecedent which if manipulated regulates the occurrence of this consequent” (Dewey 1929, p. 92). In this way, the pragmatic nature of morality would be reinforced. Similar to the learning that occurs among participants actively engaged in restorative justice, the most powerful moral learning would involve engagement in and reflection upon the process of actually solving problems in the pursuit of the good.

## **10.5 Component 2. Moral Judgment: Selecting the Most Moral Action**

“Once the person is aware of possible lines of action and how people would be affected by each line of action (Component I), then Component II judges which line of action is more morally justifiable” (Rest 1994, pp. 23–24). It is noteworthy that Rest made no attempt to justify actions in accord with some overarching moral rightness or final and complete good as Kohlberg had done. Rather, Rest looked for specific criteria that might provide good reasons for pursuing the action in mind: meeting the demands of authority or reciprocity, contributing to social harmony, building consensus and cooperation (D. Narvaez, personal communication, Spring 1996).

One of the critical issues related to moral judgment is individual autonomy. Advocates of the cognitive-developmental approach such as Rest and Narvaez—and before them, Kohlberg—strongly maintain that moral autonomy is central to moral judgment: the aim of moral education is the fully informed and free conscience, so that individuals are capable of judging according to personally held, rational moral principles. The necessity of moral autonomy is at the heart of Immanuel Kant’s theory that reason alone is the basis for moral content in human

judgments: only reason gives human beings the possibility of freedom from determination by internal natural impulses or external social pressures (Kant 1785/1956). Kant's argument was not evidence-based but transcendental: What conditions had to be met for possibility of free will? As he saw it, all voluntary human action was either caused—made to happen—by a series of empirical conditions operating according to natural laws like everything else in nature, or caused by an act of unconditioned reason operating according to a purely formal rational law (1781/1998, pp. 542–545.; Div. II, Bk. II, Ch. II).

If the cause of action was empirical, then human freedom was an illusion. Humans might *feel* free in their choices, but only because they did not perceive the causes which were too subtle internally to be detected or too vague and pervasive externally to be recognized. Such a view also entailed the possibility that knowledge of the causes could bestow the power to shape and thus predetermine so-called voluntary behavior. It was for exactly this reason that Kohlberg and his followers resisted certain kinds of character education that defined the aim of moral education as the formation of moral judgment in accord with a clearly defined, defended, and internalized set of moral values.

Kant was very clear that freedom was a transcendental idea that could never be proven empirically: freedom was necessary for the possibility of free will—the *ought* without which there could be no morality (1871/1998, pp. 540–541). Kant used the same transcendental form of argumentation in regard to space, time, and causality: the idea of *space* was necessary for the possibility of perceiving objects in reality, the idea of *time* necessary for the possibility of experience (personal identity), and the idea of *causality* necessary for the possibility of the intelligibility of reality.

The possibility of social influences predetermining moral reasoning was already apparent to Kant and has been correlated in recent decades with identification of chemical processes in the brain that precede the individual's consciousness of making a moral decision (Libet 1985; Westen et al. 2006). It is in this context that Narvaez and Vaydich (2008) observed that neurological investigations such as these make it evident that moral reasoning can be influenced by motivation (p. 294), and they presented a taxonomy locating morally relevant brain functions in various regions of the brain, identifying in several instances overlapping and moderating activities in more than one region (Textbox 2, pp. 293–294). Given the reality of “motivated reasoning” (Westen et al. 2006), the relationship between moral reasoning and moral decision making becomes less clear: if reasoning does not determine the decision, what role does it play?

It is to the credit of the transcendental form of argument that Kant's understanding of moral freedom has not been unseated by this evidence, although one wonders how many people grasp the implications of his argument: a free will is necessary for morality, yet evidence for a free will cannot not be found empirically; freedom is real and true only as a concept in pure reason. As one who did understand this argument and its implications, William James argued that the reality and truth of the idea were irrelevant; what mattered was the practical value of praise and punishment, which at least held up improvement as a possibility (1909/1943, p. 119).



This pragmatic viewpoint apparently still holds among business educators, since I have found no discussions of the reality of free will in business ethics textbooks. Yet given this pragmatic turn, moral educators have to ask what they expect of moral reasoning. In what way is practice in moral reasoning or education in rational ethical theories such as Mill's consequentialism or Kant's deontology useful in guiding moral decisions?

One well-known answer was provided in Kohlberg's early work, in which he theorized that individual moral reasoning progressed in invariant stages from pre-conventional to conventional to post-conventional as the individual moved toward more universal moral norms (Kohlberg 1969). The purpose of moral education, in this view, was encourage the development of the natural reasoning power of the individual toward moral decisions based on justice. In his later work, Kohlberg (1980) saw that social modeling and the personal practice of justice were necessary for the development for moral reasoning, and he advocated for the establishment of "just community" schools in which students would learn to use the tools of democracy to govern their collective behavior. Thus Kohlberg moved closer to a naturalistic view that reason is necessary but not sufficient for morality because of the central role of virtues or habits in shaping personal values and guiding decisions and behavior (Aristotle, trans.1962; Dewey 1922/2008).

A third answer to the question of education in moral reasoning was provided in Judith Smetana's review of research on morality as one of several domains of social knowledge. She summarized the research on childhood moral reasoning as showing that children learn to distinguish moral obligations from other domains (1995). Education in moral reasoning would thus bear on moral sensitivity in the recognition of distinctly moral situations. The work of Muriel Bebeau (2002) offers a fourth view in distinguishing three conceptual levels in education to improve moral reasoning: *prescriptive* instruction directly based on professional codes of conduct or legal requirements; an *intermediate zone* of instruction regarding moral and legal concepts such as "informed consent, intellectual property, conflict of interest, etc."; and *general principles* such as "autonomy, justice, [and] beneficence" (p. 284). Her categories point to the reality that some moral decisions are simple applications of mandates while others require much more interpretation and creativity on the part of the decision maker.

The governing assumption in the preceding alternatives is that abstract moral principles can serve as guides for action. It is supposed that an abstract norm such as the categorical imperative is valuable because it can be applied in a wide variety of concrete situations, and Kant demonstrated and defended his formulation of the moral law in just this way (1785/1956). Thus, if one internalizes the abstract principle, it is available for application as needed; one has only to analyze the situation and determine what action would conform with the principle.

In concrete situations, people may depart from clearly espoused rules or act contrary to firmly held moral theories or beliefs—and yet not be willing to change the rules or beliefs. Something like this can happen when a son or daughter reveals a gay or lesbian orientation: the parents may fully accept their own offspring as an expression of relational loyalty or affection and still maintain a conviction that the

behavior is categorically wrong. The same discrepancies occur in regard to businesses that pollute the environment despite the strongly held convictions of owners and managers that environmental protection is a personal commitment and moral obligation. Concrete situations have features that allow for departure from general principles or theories

Recent cognitive research sheds helpful light upon this question of the applicability of abstract knowledge. In fact, abstract concepts isolated from particular experience are *more* difficult to recall and apply in concrete situations than “whole-brain experiences” in which information is learned in the complex context of whole experiences (Iran-Nejad and Marsh 1993, p. 255) The brain has evolved to learn best in such complex contexts and thus to be ready to apply knowledge in other complex contexts—which is the only kind of context available in experience.

Hence the shortcoming of ethical discussions of published case studies: students are not presented with the full complexity of the real situation but instead with a selective interpretation of selected facts. The author’s presumed lesson is clearly communicated, yet students can easily add plausible complications to the selected facts based on their own experience of similar situations that might point to other conclusions. Similarly, the application of abstract moral principles in business cases is a fabrication that is not possible in real life. But the problem is more fundamental than teaching methodology. The difficulty with the application of abstract learning, as borne out in the research of Jean Lave (1988) on the applicability of mathematics in real-world contexts, is that learning broken into “manageable” pieces and logical progressions does not match either the way the brain works or the way the world is. Lave challenged the transfer theory of learning in which problem-solving activities are seen as a quest for truth or the right answer, with the assumption that culture is uniform with respect to individuals.

The guidance offered by moral principles is primarily reflective rather than performative. Principles bring to awareness the values and judgments of the tradition of practice, and thus reinforce these values and judgments. The practice itself brings to mind the principle. Moral principles also serve the important function of making morality communicable to those with differing ethical perspectives, so that through dialogue groups can challenge and change practices and the context of practice.

The primacy of practice reorients education in moral reasoning away from the application of moral theories such as consequentialism or deontology and toward making moral theories accessible to life situations as though drawing upon a moral repertoire, “using different, firmly held, unevenly developed tools for different sorts of problems” (Curzer 2014, p. 110).

Cost-benefit analysis can become a framework for moral decision making under the assumptions that all the relevant values involved can be translated into dollar values and that the only responsibility of business is to make profit. Legal compliance can become the moral framework under the assumption that the only moral obligation of business is to play within the rules of law. Combining these two frameworks leads to the calculation observed by Beatrice Edwards, a public interest lawyer working in the Washington, DC area, when a bank asks, “how much money can we make by doing this [bad behavior] before we get caught? Are we going to be able

to cover the fine, at the very least, and then make a fairly substantial profit and just pay the fine?" (Cohan 2014, para. 14). Which standard of moral reasoning prevails harkens back to the corporate culture as well as to the strength of professional identity. If moral regulation is outsourced to government as the sole locus of moral responsibility, it can easily narrow the moral responsibility of business to maximizing its profit according to strict self-interest.

The influence of a culture of self-interest can be subtle, as a recent study of the effects of contemplation, conversation, and explanation shows (Gunia et al. 2012). The authors cited studies showing that taking time to contemplate before making a decision can help actors recall and reinforce moral values, but such solitary reflection can also allow time to construct justifications for self-interested and morally bad choices. Similarly, conversation can increase awareness of moral values in the face of temptations to violate moral norms, but the conversations can reinforce self-interest as well if they emphasize the economic features of the decision. Explanation also plays a role in moral decision making, as actors justify their decisions by pointing to features in the situation that led to their decision to act on moral values or to put self-interest ahead of other values. To gain greater insight into the effects of contemplation, conversation, and explanation of moral decision making, the authors conducted careful laboratory studies of simple honest/dishonest choices within a 3-min timeframe. The results showed that contemplation and conversations reinforced honest choices, but quick decisions without contemplation or conversation that emphasized self-interest increased the proportion of dishonest choices. Explanations both before and after the decision justified the choices made.

The data suggest that, just as a moral conversation can bolster moral reasoning, a self-interested conversation can undermine it. Thus, our results suggest that a single individual's moral reasoning may exhibit wide and substantial variation, socially and circumstantially. (Gunia, et al., p. 27)

It is note-worthy that a social context of self-interest can bend decisions away from a clear moral choice. Given that business schools pervasively teach an economics of self-interest, this becomes the context for business ethics education. The strength of this assumption bends moral reasoning toward economic calculation and away from interpersonal sensitivity, in the same way that rigid social environments where persons are unable to exercise their own judgment bend moral reasoning toward communal conformity and away from independent use of moral reasoning skills. Erin Cech's 2014 study of students in four engineering schools revealed a similar pattern: "Between their freshman year and graduation, their self-reported answers showed drops in measures of public-mindedness, including a commitment to professional and ethical responsibilities," a change she attributed to culture and curricula of the discipline that "treat nontechnical factors as irrelevant to the work of 'real' engineering" (quoted in Berrett 2016, p. B9). These observations bear out the point made by Darcia Navaez, that skill in moral reasoning is not limited to reasoning about morals; it is a form of practical reasoning that develops with "general social-cognitive growth and one's awareness of the social world and one's place within it" (1991, p. 361). Where that social world and its aspirations are narrowly

limited to economic calculation or technical problem-solving, practical reasoning skills develop accordingly. On the other hand, Narvaez pointed out that persons who develop broader skills in moral reasoning “are those who seek new challenges, love to learn, enjoy intellectually stimulating environments, reflect on their experience, make plans and set goals, take risks, and place themselves in the broader contexts of history and social trends” (1991, p. 361).

In business environments where social norms are strongly reinforced and dissent is highly discouraged, as in the finance industry (Oberlechner 2007; Hudson 2010; Cohan 2014), moral reasoning ability follows accordingly. This was precisely the concern that led John Dewey to the conclusion that it was “false that every person has a consciousness of the supreme authority of right and then misconceives it or ignores it in action.” Rather, what persons have is “a sense of the claims of social relationships as those relationships enforce in one’s desires and observations” (Dewey 1922/2008, p. 219). The demands of good relationships with co-workers become extremely important in a business environment where a person greatly wants to succeed. Anderson made the same point in observing that reason does not “operate on the basis of a single unified preference ordering” (2000, p. 194).

Reason resolves conflicts among these preference orderings not by weighing one priority against another, but by determining which ranking, in the given context, has authority. This view represents reason not as a scale upon which competing values are balanced, but as a judge drawing jurisdictional boundaries. Any given preference ordering prevails only within its jurisdiction—that is, only in contexts where its associated agent (“I”, or this or that “we” to which I belong) has authority to decide what I should do. (Anderson 2000, p. 195)

Human beings reason within relationships, a fact that advocates of values clarification do not take seriously enough. It is unreasonable for us to attempt to sustain values that the group to which we are committed does not uphold or values that we do not have authority to exercise. If moral sensitivity brings awareness of these relationships, including awareness of how various lines of action would affect parties involved, then moral judgment can determine which line of action would be most reasonable and supportable. “The belief in a separate, ideal, or transcendental, practically ineffectual Right” would not be necessary or even useful; it would only get in the way (Dewey 1922/2008, p. 219).

## **10.6 Component 3. Moral Motivation: Prioritizing Moral Values Relative to Other Values/Concerns**

Rest asked how “we are we to account for the most notoriously evil people in the world” (1994, p. 24). He did not consider their moral failure as “due to deficiencies in awareness of what they were doing (Component I), or because they couldn’t figure out what would be the fair thing to do (Component II).” Rather, he saw their failure as putting other values or ends ahead of what was right and good for the people being affected, both in the implementation and in the effects of the action

(D. Narvaez, personal communication, Spring 1996). This might seem to imply individual lack of moral will, courage, or integrity, but attempts to study moral motivation indicate that it can be affected by many situational factors such as the options available, the level of pressure, clarity or confusion of contextual cues, influences of others in the situation, and the actor's mood and energy level (Narvaez & Vaydich 2008, p. 298). The competing values might be career-related ambitions or loyalties, relational commitments, or self-interests such as greed or pleasure.

In order to strengthen the ability of professionals to put professional duties ahead of self-interest, Bebeau (2002) saw the need for a “broad educational environment [that] promotes identity development toward a shared perspective on professionalism” (p. 286). Conceptual frameworks were insufficient without socialization into and identification with the profession. This seems reasonable: a strongly held professional identity can outweigh the pressure to under-report crimes to make the police department look good or to forge signatures in order to achieve the desired target of loans made (Hudson 2010). However, even if people see clearly the immorality of their actions—and avoid the kinds of perceptual sidestepping outlined above under Component I—they must contend with the hazards of acting contrary to their work team, organization, or industry. Elliot Spitzer, the former Attorney General of New York State who prosecuted numerous white collar crime cases, observed that “there remains a high degree of treachery to contend with for anyone who chooses to buck the social norms and report questionable behavior” (Cohan 2014, para. 7).

Situations of threat such as this—or situations of temptation, uncertainty, unfamiliarity, or even distraction—might incline people to act contrary to their own best moral judgment. But such situations can also lead people to doubt even their settled moral convictions, to rationalize, and to identify with altered beliefs (Curzer 2014, p. 117).

Among all psychological processes influencing the ethics of groups, conformity is the most basic and pervasive. Conformity is evident in all kinds of groups and in all kinds of decisions and behavior which these groups engage. The beliefs, attitudes, decisions, and standards of people who interact with each other in a group have a tendency to converge, often until they are practically identical. (Oberlechner 2007, p. 46)

In this sense, moral motivation translates into a kind of moral reasoning. Just as strongly held beliefs generate a desire to *act* accordingly, strong feelings generate a desire to *think* accordingly. This is often not experienced as moral ambivalence or moral failure, but as a further step in moral functioning. “People strive to reduce inner conflict by talking themselves into some passions and out of others” (Curzer 2014, p. 117).

Dewey was highly concerned with the question of motivation, which he preferred to address as a modification or cultivation of habits of thought—that is, addressing it from a social perspective. He was particularly concerned with the influence a drive for success could have on moral behavior, in light of which he thought it of little use to preach to individuals that they should buck up and do their duty:

If the standard of morals is low it is because the education given by the interaction of the individual with his social environment is defective. Of what avail is it to preach unassuming simplicity and contentment of life when communal admiration goes to the man who “succeeds”—who makes himself conspicuous and envied because of command of money and other forms of power? (Dewey 1922/2008, p. 213)

Therefore, he sought to generate social support for giving higher priority to pursuing the good. The paramount example would be Dewey's commitment to cultivating the habit of pursuing the good—which he considered every bit as achievable as the habit of pursuing wealth.

This may seem like an unnecessary dichotomy, since we often hear that good morals pay, at least in the long run. However, a recent study supports Dewey's concern that moral admonition and the attraction of economic success are pulling in different directions. Using self-report data from the Graduate Management Admission Test, Hussey (2011) found that stronger ethical character correlated with lower wages, and similarly the degree to which respondents reported that their MBA education strengthened their ethical standards, the lower their wages were.

## 10.7 Component 4. Moral Character: Ability to Implement Values and Decisions

“This component involves ego strength, perseverance, backbone, toughness, strength of conviction, and courage” (Rest 1994, p. 24). Even if a person or group is sensitive to the moral dimensions of the issue at hand (Component I), can articulate good reasons for pursuing a particular course of action (Component II), and gives high priority to good means and results (Component III), the person or group might still lack the ego strength to persevere in the face of fear, weariness, lack of social support, or outright opposition. It might also be the case that they lack the skills to complete the action—or are not aware that they have the capacities and abilities to do so (D. Narvaez, personal communication, Spring 1996). “Component 4 presupposes that one has set goals, has self-discipline and controls impulse, and has the strength and skill to act in accord with one's goals” (Bebeau et al. 1999, p. 22).

The discussion in the previous section about the effects of feelings on moral reasoning leads to the same kind of considerations regarding moral character. Just as moral motivation is strengthened when the feelings in the situation align with settled moral beliefs, moral virtues are strengthened when the desire to act in accord with beliefs is strong. Where moral beliefs are conflicted or ambiguous, the desire to act accordingly is weakened—and so also the conviction or courage to enact the belief. Virtues and character traits “are not faculties or processes developing alongside and separate from sensitivity, theory and reasoning; rather they *are* dispositions of sensitivity, theory and reasoning” (Curzer 2014, p. 118; emphasis in original.)

In his report on Wall Street crime and prosecution, George Packer cited a 2007 poll that further calls into question the notion of stable moral character as a quality of the individual.

Twenty-five hundred Wall Street professionals were asked if they would use insider information to make ten million dollars if the chances of getting caught were fifty per cent. Seven per cent said yes. But, if there was zero chance of getting caught, fifty-eight per cent said that they would break the law. (Packer 2011, p. 48)

These results might be seen as evidence that half of these professionals are motivated only or primarily by external sanctions, yet the research of Ghoshal and Moran (1996) shows that sanctions and incentives cannot explain the levels of variability in polls like these. The more likely explanation is that individuals internalize the values supported in their environment. A zero chance of getting caught would signal a lack of external vigilance and concern about insider trading, which becomes in turn a permission to act.

Lest we think Wall Street professionals have weaker character than other business people, we can look as well at Midwestern farmers and the battles in Iowa and Minnesota over mandatory buffer zones around waterways and other regulations to reduce polluting run-off from farm fields (Eller 2015; Spencer 2015). Farmers insist that they care about water quality as much as anyone else and that voluntary compliance is sufficient; they oppose enforcement as an encroachment on private business. Yet voluntary compliance has not decreased the harmful run-off.

It may be that farmers and Wall Street professionals believe that their competitors will use all the room allowed by legal enforcement, so that they cannot take a more principled moral stand without losing market share: bad for their pocketbooks, bad for the business, bad for the profession. These examples bring to mind the story, perhaps apocryphal, about the introduction of helmets in professional hockey. All the players voiced opposition to the helmet rule, even though individually they knew it would reduce serious injuries without impairing performance. Since voluntarily wearing a helmet implied that the player was less tough, no players wanted to voluntarily wear the helmet or support the rule. Once it was imposed, however, players embraced it immediately and gladly donned their helmets. The social norms around toughness in hockey or marginally legal exchanges on Wall Street can easily prevail over individual good sense.

Similar effects are evident in the influence of social norms regarding drinking on college campuses, speeding on highways, use of cell phones while driving, and innumerable other examples. The behavior of academic researchers also seems to bear out the influence of affect on character strength. Kocieniewski (2013) reported that two researchers who strongly support hedge funds and financial speculation have received substantial funding from exactly such firms. The researchers in this case insist that “industry backing did not color their opinions,” yet this kind of backing is often not reported. Patterns of behavior this pervasive cannot be simply characterized as examples of weak moral character. It is essential that moral educators address the affective power of social norms.

## 10.8 Conclusion

We accept it as true that action requires the formation of goals and the coordination of plans and steps to achieve goals, drawing upon previous experience of permissible and successful actions (Narvaez and Vaydich 2008, p. 300). Therefore moral educators must look to the pattern of permissible action and the contextual meaning

of success as fundamental to moral formation. To this same point, Bebeau argued that only some kind of performance-based assessment could help individuals recognize failures and corrective skills (2002, p. 287). The real arena of moral formation is the pattern of permissible action and success in the workplace. That pattern of action embodies the social norms that govern affective loyalty and behavioral conformity, and these priorities are telegraphed from the workplace to the classroom as the social norms of economic success. The power of this formative environment suggests that effective moral education must combine real-world business experience with critical ethical reflection. One way to do this would be some kind of moral apprenticeship, organized in the workplace but with explicit attention to moral formation.

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## Chapter 11

# Moral Apprenticeship: Moral Formation in the Context of Practice

**Abstract** Apprenticeship has ancient roots, and learning grounded in practice continues to be essential to the mastery of complex practices, including business management. All learning in practice is moral in character, because an essential part of any practice is the development of those strengths in character capacities for good judgment that enable practitioners to excel in the practice. For business managers, such matters of character and judgment include flexibility and adaptability to the team, a keen interest in seeing others excel and in assisting them on that path, attention to detail but with a sense of the bigger picture, care in assessing resources and costs but also willingness to act decisively, decision making with an eye to strategy and the long term health of the business, and a willingness to bear responsibilities of behalf of the team gracefully. Such qualities cannot be taught in the classroom, since so much of their content combines self-awareness with reading the situation and reckoning the actual possibilities. The only way to learn business management is by managing a business under the watchful eye and advice of trusted colleagues. The moral apprentice is guided most powerfully by meeting the demands of management, especially as these are reinforced by bestowal or withdrawal of honor, the maintenance of respect, and the down-casting pain of shame. This combination of responsible action and mechanisms of informal social control are as old as the human race and no less effective in modern business organizations than they were in past ages. They operate in every social situation, and their influence can be incorporated into moral apprenticeship as a natural yet thoughtful part of moral formation. Notably, by the nature of apprenticeship, the effects of moral guidance register on the business as well as on the apprentice.

**Keywords** Moral apprenticeship • Business education • Business schools • Restorative justice • Moral learning • Virtue • Honor • Shame • Respect • Moral formation

## 11.1 Moral Apprenticeship: Entrance and Expertise in a Community of Practice

Business schools can greatly enhance moral learning for successful management by giving students opportunities to participate in interactive organizational settings characterized by the moral requirements of public leadership, such as communities of practice, internships, fellowships, and apprenticeships. These social learning settings can provide the situated learning and legitimate peripheral participation that are most effective in moral formation, as well as provide opportunities for ethical reflection that are essential for organizational leadership development. This way of describing the situation of learning presents businesses as communities of practice, each of which is actually a sub-community of particular industries, professions, and institutions. Businesses also exist within the larger social structure of the competitive marketplace. Each individual company can be seen as an instance bringing together the industry to which it belongs and the larger community of which it is a part, sharing in their history of learning and participating with a sense of belonging. As in every community of practice, the learning that is carried forward over generations is the engine of the practice, and the practice therefore carries within itself the history of learning (Wenger 1998, p. 96).

### 11.1.1 *In-Context Learning vs. Transfer Learning*

Original research conducted by Jean Lave in Liberia demonstrated the difficulty transferring school-based arithmetic skills to real-life situations (1988). She found that calculations made in real-life situations used of a variety of environmental clues to solve problems, rather than proceeding according to the ordered steps of mathematical instruction. While shopping in a supermarket, for example, selecting the most economical purchases involved factors such as relative size and location of packages, distance from stores, regularity of shopping trips, time of day, level of energy, quality of produce, and recent fluctuations in prices. Many arithmetic calculations were also performed, but with conceptual short-cuts, estimation, and “bail-out points” if the effort began to outweigh the potential benefits. People learned and applied their knowledge in a whole-brain, whole-body, in-context fashion.

This style of calculation seemed to contradict a key assumption of the “transfer theory” of learning, that “extraction of knowledge from the particulars of experience, of activity from its context, is the condition for making knowledge available for *general* application in all situations” (Lave 1988, p. 8; emphasis in original). According to transfer theory, students should be taught to internalize abstract, general principles, rules of use, and terminology that can then be readily applied in an unlimited variety of real life situations. Lave found that methods of calculation taught in this abstract and orderly process did not, in fact, make the learning readily

available for use in real life situations. Her research showed that human learning depends more on active involvement of the whole brain in the situation of practice.

Whole-brain, whole-body learning happens in the classroom as much as in the workplace. The student sitting in an accounting class is learning not only the principles of accounting but also the importance given to these principles by the instructor and by fellow students. Students do not simply learn isolated skills or information; they learn from the whole environment through response, revision, and reproduction. This is even more evident in the workplace, where entry level workers take their place on the periphery of the work group—a complex set of relationships—and gradually learn to practice as contributing members of the group. A first-year smoke-jumper may learn about her or his equipment in a classroom, but in the setting of practice she learns how to handle equipment in the rough terrain of practice, sometimes amidst apprehension or fear. She learns through observation, participation, and feedback what steps have priority, how much humor is allowed—or what counts as humor—and when speed is important. She learns how social priorities and attention structures operate in the group, how the members talk and react to one another, and how they talk and react to outsiders. Many skills are learned together, in context: how to walk through the woods without losing one's sense of direction, how to care for one's own safety while keeping in touch with one's commander, and the many other crucial skills and sensitivities necessary for the work. This complexity does not make learning more difficult; humans are prepared by evolution to learn performative skills in complex social settings. The skills are learned in a practical order as the task requires, rather than in a logical order according to a progression from simple to complex or general to specific. "In contrast with learning as internalization, learning as increasing participation in communities of practice concerns the whole person acting in the world" (Lave and Wenger 1991, p. 49).

Bodies of knowledge broken into bits for easier transmission may or may not sync up with the whole-body, in-context requirements of human evolution and mental processes, making retention, retrieval and performance in the field of practice more difficult. In workplace settings, evaluation accompanies performance in the form of implicit or explicit feedback from sensory perception, trial and error, oral correction, and expressions of admiration. The learning is individualized and relational, as the learner moves from the periphery of practice toward full participation. Meaning is socially negotiated, as old-timers welcome and sponsor new-comers with the knowledge that these newcomers must ultimately replace them. The process of learning changes identity, as newcomers begin to see themselves as practitioners and members in a new society, and ultimately as experts and leaders. A culture of practice is learned—or, perhaps more accurately—is constructed anew in each person who enters the practice and grows in mastery within it. Practices persist and develop with a dynamic friction between preservation and innovation; they conserve the past and make it available for adjustment in the present.

Students in school also learn in a community of practice, defined by the relationships among instructors, pedagogy, fellow students, and the prescriptive target—the subject matter to be learned. Thus there is a *teaching* curriculum (the instruction designed by administrators and teachers) and a *learning* curriculum (the complex set

of relationships, interactions, and expectations actually experienced within the didactic institution). The teaching curriculum assumes a common motivation between teachers and students to internalize the subject matter, which is considered to be a body of knowledge with exchange value in the outside world. The learning curriculum is pervasive in the environment with all the possibilities available among its members, including student-to-student networking and mutual assistance, the essential knowledge of how important the academic curriculum is, what one must actually do to succeed, whose recommendations and advice are most trustworthy, and many other living and changing attitudes and perspectives with intrinsic value to learners.

### *11.1.2 The Virtues in Practice*

Virtues and practices are essentially linked. In summarizing the role of practices in moral formation from Aristotle, through Aquinas, and into the Modern Age, Alasdair MacIntyre defined a practice as

any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended. (1984, p. 187).

In Alasdair MacIntyre's account of Aristotle's ethics, practices and the goods they deliver are given priority of place. Virtues play an enabling role as those "goods internal to that form of activity"—those qualities of character and performance—that enable one to achieve the good for which one is aiming in the practice (MacIntyre 1984, p. 148). The point of moral learning is not to "reify virtues and turn our caring toward them" (Noddings 1984, p. 96), but rather to acquire them through performance of that which is worth doing.

The practices in which one engages require particular virtues, so that engagement in practices is always a moral apprenticeship in an occasion of situated learning. Moral educators can build on the natural human disposition to learn through practice, intentionally structuring occasions and sites for moral apprenticeship that combine observation, responsibility, performance, and feedback from exemplars. Moral learning in the active setting of practice can be augmented by convening sessions for ethical reflection on the performative demands of the work and on the social norms being experienced and expected. The virtues and judgments required in practice are the core content of moral learning, and virtues internalized in settings of practice will be firmly rooted with affective connections to co-workers, workplace culture, judgments of excellence, and social rewards. Aristotle said it clearly:

The virtues we acquire by first having put them into action, and the same is also true of the arts. For the things which we have to learn before we can do them we learn by doing: men become builders by building houses, and harpists by playing the harp. Similarly, we become just by the practice of just actions, self-controlled by exercising self-control, and courageous by performing acts of courage...Moreover, the same causes and the same means that pro-

duce any excellence or virtue can also destroy it, and this is also true of every art. It is by playing the harp that men become both good and bad harpists, and correspondingly with builders and all other craftsmen: a man who builds well will be a good builder, one who builds badly a bad one. For if this were not so, there would be no need for an instructor, but everyone would be born as a good or a bad craftsman. The same holds true of the virtues. (*Nicomachean Ethics*, trans. 1962; 1103a–b)

From the early twentieth century on, schools have taken an ever greater role in professional education, gradually replacing work-based apprenticeship programs with the technical, associate, or bachelor's degrees (Sullivan 2005). This expansion of education has been good for the schools, providing a durable line of instruction and valuable source of revenue—including a heightened profile in the business community as a key player in workforce development. In the process, schools have converted practice-based apprenticeships into academic instructional modules based on theory, analysis, and application, which is the pattern of learning best taught in a classroom. What gets lost in the predominance of the schools are the “habits of the practical mind through the pedagogy of modeling expert judgment and then coaching the learner through similar activities” (Sullivan 2005, p. 199). These habits—that is, virtues—are the central moral component of the practice, without which learners cannot make worthwhile use of classroom knowledge.

In contrast to the classroom, the acquisition of virtues in practice brings knowledge, skills, and relationships together in building self-identity: the practice and its virtues become a constitutive part of the self. The identity of each person is integrated in the history and community of practice. As Wendell Berry observed,

we are not authors of ourselves. That we are not is a religious perception, but it is also a biological and a social one. Each of us has had many authors, and each of us is engaged, for better or worse, in that same authorship. We could say that the human race is a great coauthorship in which we are collaborating with God and nature in the making of ourselves and one another. From this there is no escape... [B]y ourselves we are outside the human definition, outside our identity. “More and more,” Mary Catharine Bateson wrote in *With a Daughter's Eye*, “it has seemed to me that the idea of an individual, the idea that there is someone to be known, separate from the relationships, is simply an error.” (Berry 1987, p. 115)

This conclusion parallels the work of Gregory Bateson (1991), developed over many years of field research in anthropology and human cognition. He arrived finally at the notion of an “ecology of mind” in which cognition is inseparable from the physical processes of evolution and action. Cognitive researchers Asghar Iran-Nejad and George E. Marsh III (1993) arrived at a similar conclusion from scientific observations of human learning and the neurochemical processes in the human brain, proposing a “biofunctional theory of cognition” in which thought, action, and context all function together. In this understanding, memory is not the recall of stored knowledge but an active process of reconstituting a previously experienced context. Similarly, moral memory—that is, moral values—are reconstituted in each person, as part of that person's identification with practices and identity in community.

We need to look at practice as the foundation of moral norms and look at the community as the foundational site within which practices are learned and their

achievements are valued. Joanne Ciulla cited a powerful example of the communal foundation of virtue among nineteenth century iron rollers.

A strong moral code gave the iron rolling teams their sense of autonomy. The first and most important part of this code was that workers only do the amount of work agreed upon by the union, which was called the “stint”. Employers were always trying to make employees work faster. Most workplaces had a stint and workers who failed to maintain it by doing too much or too little were ostracized. Those who upheld the stint earned reputations as “good men” and trustworthy masters of the trade. (Ciulla 2012, p. 121)

Two powerful points are made in this example: One is that the autonomy of the individual is linked to the autonomy of the moral community, in this case, the union. The second is that upholding the moral norm of the profession in resisting the employer’s “speed-up” displayed a virtue that benefited the entire group. Adherence to this virtue not only protected iron rollers from overwork; it also defended their profession from encroachment by industrialists more interested in profits than quality. Here we see a lesson emphasized by Thomas Kopfensteiner, that

Moral freedom is characterized by the entwining of moral goodness and moral rightness. ... The unity of goodness and rightness reflects the accumulated experience and insight of the community; the unity of both categories maintains the tradition’s legitimate expectations of freedom. In this way, the community’s moral praxis reveals the plausibility and communicability of the conditioning ground of freedom and insight. (Kopfensteiner 1993, pp. 493–494)

In this understanding of the morality of human action, freedom is not primarily the individual’s freedom *from* constraint but freedom *to* act with moral purpose.

### ***11.1.3 Moral Formation in Apprenticeship***

Apprenticeship follows the outlines of “legitimate peripheral participation” (Lave and Wenger 1991), a theory of learning that describes the process of entry, growth, and mastery into the work, knowledge, and relations of a practice, including socialization in the social and moral norms of the group and the profession. In this way, the individual accepts as part of her or his role the responsibility to uphold the goods of the profession: “Lawyers, for example, are certainly obligated to help their clients, but as officers of the court their higher obligation is to the law itself; put in the strongest terms, to justice though the heavens fall” (Bellah 1997, p. 33). In a similar vein, D. E. Hall described “the guild of surgeons...as a more-or-less coherent tradition of moral enquiry, embodying and transmitting the virtues necessary for the practice of good surgery” (Hall 2011, p. 115). Much of what is learned by lawyers and surgeons must be mediated through the context of the endless complications and variations that appear in practice. Classroom instruction alone is insufficient; much of the learning must occur in the community of practice under the tutelage of skilled practitioners. Part of mastery in a practice is recognizing exceptions to the rules, a recognition that is both practical and moral.

We teach everyone not to operate for hemorrhage from pelvic fractures, not to open retroperitoneal hematomas from pelvic fractures. This injury/scenario is the exception. It is a



difficult decision to take the steps to 1) operate and then 2) open the hematoma. The hematoma has generally decompressed into the peritoneal cavity. If not, it is large enough and ugly enough that you know badness is within. You must identify and fix/ligate/shunt the iliac injury directly. (Hall 2011, p. 117)

Hall referred to this example as illustrating “the fact that moral judgment is particular to a specific case, with a specific patient and a specific set of circumstances—all of which make the situation unique and without which the senior surgeons cannot offer any advice” (p. 118). He went on to point out the importance of virtues such as tenderness, the willingness to seek out advice, performance under conditions of uncertainty, the duty to respond to other surgeons when they needed advice, and the willingness to admit mistakes. These are virtues in many professions—including business—but to a great extent they cannot be taught in courses of professional ethics. They cannot be taught in isolation from practice, since the classroom cannot provide the crucial context of urgency, responsibility, and weighty consequences that are essential to practice of these virtues. Moral or professional virtues are simply not virtues in the absence of moral and professional judgment as these are exercised in the particularities of situations of practice.

Paradoxically, surgical technique is not, strictly speaking, technical. By this I mean that the conduct of an operation is not like following the owner’s manual for a piece of furniture that arrives with “some assembly required.” Even the most detailed description of the technical steps of an operation will not prepare the surgeon for the hundreds of small decisions that must be made: Where should I cut? How should I dissect this tissue plane? What instrument should I use? How hard can I push, pull or tear this particular piece of tissue? Where can I cut safely? Do I staple or do I sew? What can I get away with for the sake of expedience and what limits must I not cross? (Hall 2011, p. 119)

What is made absolutely clear in this example of professional ethics is that the moral formation of the practitioner is inseparable from moral judgments and virtues that accompany technical knowledge and performance under the demands of the practice.

Similarly, business ethics cannot be learned as a set of moral norms or decision steps apart from the skills and aims of the business itself. The morals of business are embedded in the conduct of business, and no part of business operations or outcomes is outside these moral demands. Hall made this point explicit in regard to the practice of surgery, that “the moral deliberation required to articulate and understand the goals of surgical practice is at the very heart of what surgeons do. Consciously or subconsciously, each little decision made by surgeons regarding the care of patients is a moral decision” (2011, p. 123). There is no such thing as morally neutral surgery (p. 124), and no such thing as morally neutral business. The practice of business has moral value because it is part of the constitutive fabric of human life that makes living possible and makes life meaningful—the meaning and results of work, the necessity of provision, the goal of personal thriving, and the well-being of the community in all its many ramifications.

The lesson for business education is that these embedded morals can only be taught *in the practice*, as essential components of good business and business success. Business ethics is simply business done rightly; business ethics education is simply good business education—and business education cannot be reduced to business schooling.

The time-honored way to educate novices for business and professions is apprenticeship with practitioners who are not only skilled but also wise, persons of good judgment with the practical wisdom to see what matters in the situation of practice and to choose and do the good that is possible in that situation. Apprenticeship is necessarily always an apprenticeship in the morals of the practice.

Although knowledge of physiology and pathology is a necessary condition for competent medical practice, it is not sufficient. The competent physician must first learn the practical wisdom necessary to apply this knowledge to the lives of particular patients. This requires experience obtained only through practicing under the guidance of more experienced physicians. The apprenticeship model of residency teaches much more than technical mastery. By conforming their lives to the practices of surgeons who have proven to be wise and good, the character of surgeons-in-training is transformed to embody the practical wisdom of the surgical tradition that has proven trustworthy. (Hall 2011, p. 126)

Hall acknowledged that this observation may seem naïve, since there are both good and bad surgeons (p. 126). Yet the practical wisdom needed to be a good surgeon cannot be learned any other way, so that ultimately the moral quality of surgery depends upon the moral traditions and sensitivities carried in the profession by practicing surgeons (p. 127).

In the same way, the moral quality of business education depends upon the moral quality of business as it is practiced. Business schools therefore have a great stake in those moral traditions of practice, not only in teaching them but in helping to sustain them in the field, in practice. This certainly was the aim among the early founders of business schools in the late nineteenth century (Khurana 2007), an aim unfulfilled in their time and in ours. Then and now, business educators cannot assume that the operative norms of business practices are consistent with the purposes, standards, and ideals of good business—that is, with business that is both profitable and that fulfills its social purpose. It may in fact be the case, as it was 100 years ago, that socialization in the practice of business is displacing matters of justice with formation in social and moral norms of self-interest and organizational advancement.

#### ***11.1.4 Moral Apprenticeship in Business Education***

The reinstatement of apprenticeship—explicitly as moral apprenticeship—may provide a way for business schools to support businesses in business practices that meet their social obligations. If moral apprenticeship were made the explicit aim and norm of business education, business schools could take up in earnest their long-standing aspiration to prepare business leaders willing and able to leverage the potential of the marketplace to advance justice and the public good.

Business and professional schools are well positioned institutionally to influence the direction of professional practice and business ethics. These schools have earned a solid place in higher education, receiving strong political support for their contributions to workforce development and economic vitality and, in return, providing a healthy revenue stream to universities with their strong enrollments and loyal

alumni. The current national priority on education that leads directly to employment opportunities and income potential puts business schools in a very strong position to engage more dynamically with external partners and employers.

Professional schools are pragmatic institutions, designed to provide only that knowledge necessary for success in a given profession. Nearly half a century ago, Richard Weaver pointed out that “[t]hose who maintain that education should prepare one for living successfully in this world have won a practically complete victory ... the prevailing conception is that education must be such as will enable one to acquire enough wealth to live on the plane of the bourgeoisie. (Stephan 2003, p. 32)

It appears to be the case that students enroll in business and professional schools with hopes for strong incomes and career advancement. These are worthy aspirations, but they are not sufficient to achieve full entry into professional membership and to fulfill the social demands of their profession or business as a matter of justice. The pursuit of income and career advancement do not necessarily motivate practitioners to provide the social goods for which the profession is organized—but business and professional schools are in a good position to advance this moral agenda. Indeed, the schools have already publicly declared to do just that; what is proposed here is a way to realize that intention. The recommendation is that business schools institute programs in practical moral apprenticeship with cooperating professions that can give students an opportunity to practice the profession under the scrutiny and guidance of professional exemplars. Berkowitz and Fekula asserted that

It is clear that when students have opportunities to practice good character, their character development benefits. For example, democratic character can be promoted through participation in self-governance in student councils or residence halls. (Berkowitz and Fekula 1999, p. 21)

Schools may find that many professionals—including business owners and managers—have felt the need for greater emphasis on meeting their commitments to professional standards and ideals and meeting the demands of justice, as well as complying with organizational codes of conduct. Business and professional schools can help shore up the moral commitments of professions in an age when wealth accumulation seems to be the predominant value and conflicts of interest plague even highly respected professions such as medicine and law enforcement. This cooperative effort in moral apprenticeship may be the most effective way to build communities of practice in business where justice is the norm. As Hall (2011) pointed out in regard to the practice of medicine, quoting Kinghorn and colleagues, “sustaining moral communities is likely the only way to cultivate the virtues ‘capable of withstanding the economic and social threats to professionalism that are inherent in modern medical practice’ (Kinghorn et al. 2007)” (p. 131).

The practice of business *is already* a moral community, and business schools are part of this moral community. Together they are constituted “as an evolving, continuously renewed set of relations” in which the meaning for each individual is socially negotiated in an “interdependency of agent, world, activity, meaning, cognition, learning, and knowing” (Lave and Wenger 1991, pp. 50–52). The question is not *if* a moral community should be instituted, but *of what quality* it is—and *shall be*—going forward. The argument here is that the business community, including

business schools, can do much better in meeting their moral obligations for the welfare of society. Moral apprenticeship in business ethics as a matter of justice can bring new leaders into full participation and empowerment in the business community as they build an identity as a practitioner who has internalized the virtues that are necessary for business to achieve the ends and goods for which it is practiced.

## 11.2 Moral Accountability in Communities of Practice

Every community of practice must sustain itself through the delivery of the goods for which it exists and through cultivation and enforcement of the social and moral norms which guarantee the quality of the practice. Although some practices have organized professional associations to articulate their purposes and specify codes of conduct, the most effective force for sustaining the integrity of practice is informal social control: the recognition of good work and the disapproval of offenders. As Michael Munger put it in regard to his own profession, “Political science polices itself through esteem and shame. We credit scholars who correct mistakes or malpractice in research. And we heap scorn on violators” (Munger 2015, p. 24). In this statement, Munger emphasized the power of the punitive side of social control, which indeed conveys greater emotion and alarm than positive reinforcement. Yet it is positive reinforcement that does the most important work of accountability, in identifying and celebrating excellence in practice, both in its means and in its ends.

### 11.2.1 Honor

The meaning and importance of honor go well beyond doing one’s job: honor is the highest signifier of excellence in character, means, and ends. In heroic societies, “*kudos*, glory, belongs to the individual who excels in battle or in contest as a mark of recognition by his household or community” (MacIntyre 1984, pp. 122–123). The excellence in view is partly a matter of the ends achieved, but also partly the personal characteristics that make it possible for the person to excel in that enterprise. The person is honored, as well as the work.

Among nineteenth century working men, “manly bearing toward the boss” was a popular term of honor for men who demonstrated their sense of equality and dignity in the presence of owners or foremen (Ciulla 2012, p. 121). In this case, honor was accorded for the inner strength of character that was considered necessary to uphold the moral community of workers: their livelihood, their dignity, their health, and their sense of work well done.

The technical preoccupations of modern industry and scientific management have largely replaced honor with performance measurement as the way to ensure the maintenance of quality. It is often said that what gets measured, gets done. Measurement and evaluation, if well designed, can make clear what matters most in

the performance of a practice. It is also well known in evaluation circles that evaluation can have “major negative unintended impacts that, perversely, can lead to higher (rather than lower) costs and to reduced (rather than enhanced) program effectiveness” (Perrin 2007, p. 43). It is often said that what gets measured, gets done. Too often this implies that what is not measured is not worth doing or even expected, with the perverse effect of discrediting the many unseen essentials of professional excellence and good business.

The same perverse effects can be produced informally, if members of the profession place value on means or ends that undermine the norms of excellence. Diederik Stapel pointed to such effects in explaining the incentives for his own fabricated research in social psychology:

It could have been avoided by more group relationships, more social control, and also real interest in each other’s work. If I look back now, I say we were counting each other’s journal articles. “Hey, Tom or Jim has another paper. Oh, how wonderful!” Nobody said, “What was that paper about?” or “What did he prove?” (Quoted in Bartlett 2011, p. B7)

Seductive measures such as these are ubiquitous in businesses and public agencies alike, where CEOs are rewarded by increases in the price of company shares, sales personnel are praised for the size and number of sales, and educators are evaluated on the number of credit hours “sold” or the percentage of students graduating.

There are two dangers in this kind of perversion of practices: perverse effects of measurement and assessment, and misplaced praise. The first danger arises when the focus on measuring particular kinds of ends—especially ends in complex activities that are difficult to measure, like academic research, business management, and education—diverts from the ends that matter and prompts practitioners to aim instead at the measures themselves. This phenomenon is common enough to have its own moniker, *Dukenfield’s Law of Incentive Management*, that “any incentive to create a result also creates an incentive to simulate the same result” (Kleiman 2010, para. 2). Two corollaries accompany the law, that “the greater the incentive, the greater the temptation” and that “holding the level of audit effort constant and other things equal, the reliability of a measure will decline as the importance attached to it grows” (para. 2, 3). These corrupting effects of measurement also extend backward to corrupt the practice itself, an effect identified as Campbell’s law: “The more any quantitative social indicator is used for social decision making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor” (Campbell 1976, p. 4).

These perversities of measurement are serious, but the second danger of misplaced praise is worse: that practitioners will lose sight of and even lose *knowledge* of the ends for which the practice was developed. In this regard, the importance of honor stands out clearly. Honor is concerned with excellence and even more with what is most excellent. In according honor to persons or businesses, all involved are reminded what excellence looks like, how it is achieved, and what qualities of character are necessary to achieve it.

Of course, the most pervasive measure of quality and success in business is income or wealth—the number that tells it all, in the eyes of many. This compounds the negative effects of emphasizing this singular measure: First, as a measure of achievement deserving honor, income says little about the actual quality of work done to earn it or the character of the person doing the earning. Second, honor for wealth increases as wealth accumulates to greater and greater amounts, without regard for the social benefits of that accumulation or of the work done to earn it.

We must note, however, that this last point is a modern perversion of honor: in archaic and ancient societies, wealth was honored not in its accumulation only but especially in its bestowal on the community. Indeed, there is something perennial and universal in honoring wealth: It appears everywhere and in all ages. Only in our own times have we lost the point of wealth—that it belongs to all, for the good of all. For the good of wealth distributed, wealth can indeed be honored.

### 11.2.2 *Shame*

In his definitive study of the origins and power of human affects, *Shame and Pride*, Donald Nathanson (1992) distinguished nine basic affects: the positive affects of interest-excitement and enjoyment-joy, the neutral affect of surprise-startle, and the negative affects of fear-terror, distress-anguish, anger-rage, dismissal, disgust, and shame-humiliation. Nathanson was careful to differentiate these basic affects from the more complex phenomena of feelings and emotions. These distinctions are important. We are familiar with talking about our *emotions*, which have a biographical meaning for us. We can recall having a happy day or attending a sad funeral. Emotions can be powerful, yet they are to some extent under our control: We can hide emotions or call them up at will and reinforce them—thus the popular term, “emotional intelligence,” which refers explicitly to the monitoring and direction of emotion. *Feelings* are more basic, yet they have a cognitive aspect: we are aware of our feelings and we can recognize them for what they are.

*Affects* are more basic. They are in our bodies and outside our immediate control. Affects arise in us before we can think: my face shows surprise before I even know what happened. I find myself blushing before realizing I am embarrassed. Affects are biological and physiological reactions that accentuate a stimulus; they are hard-wired into our bodies by evolutionary pressures and genetically transmitted. They are not learned. Throughout the primate world, the physical markers of affects are the same, where they are visible at all: hairs stand on end, eyes tear up, sweat breaks from specific sites on the body with specific odors, the heart rate accelerates or drops (the skin blushes or pales), breathing speeds up or is caught and stopped, posture straightens or stoops, and the face registers a host of characteristic features from wide eyes to narrow, smiles to frowns.

As one of the nine basic affects, *shame* arises in automatic reaction to social disapproval. Our body magnifies the stimulus of disapproval so that it is felt more powerfully: our shoulders slump, our head drops, our eyes are cast down to the floor,

and blood rushes to our face and throat (Nathanson 1992, p. 134). We often feel an intense desire to escape, but we cannot escape: Humiliation, which is already registered in our bodies, burns into our consciousness. Helpless feelings of anger and rage compete with feelings of worthlessness and rejection. Shame can trigger emotional memories that magnify the effects of the original affect, so that we can become consumed by shame and unable to contain it. Depending on our personal history, we may shrink into despair or depression, or we may explode into violence against ourselves or others. The affect of shame is no small power in human affairs.

Because humans have evolved as a group species in which every individual depended upon the group for survival, social disapproval had the powerful effect of threatening exclusion from affection and ultimately from membership. Shame is thus a powerful mechanism of social control. It can “lead to increased stress and withdrawal of society [and]...hurt so badly that it is physically hard on the heart” (Jacquet 2015, p. 10).

Unlike guilt, which attaches to an action, shame attaches to the person. The person who makes a mistake or commits an offense can admit guilt and apologize, take responsibility, and thus earn a way back into good standing. The person who is shamed suffers social and personal rejection and even condemnation, and can only be restored to community and membership by social reintegration—by the forgiveness and reception of other members, especially members who matter, members held in high esteem. This is what makes shame so powerful as a means of social control: the humiliation so deeply felt can only be relieved by the grace of others. It is no accident that numerous religious communities have incorporated shame into their practices and rituals to inhibit antisocial behavior (Morton et al. 2006, p. 389).

Crime is best controlled when members of the community are the primary controllers through active participation in shaming offenders, and, having shamed them, through concerted participation in ways of reintegrating the offender back into the community of law-abiding citizens. (Braithwaite 1989, p. 8)

The dynamics of shame in the enforcement of social and moral norms follow a simple outline: group attention to norms, group disapproval of offenders, individual reform of behavior—often with the assistance of particular members of the group—and reintegration into the group with some kind of group recognition or even celebration. The shamed person is restored to good standing, but the lesson is not easily forgotten. As Braithwaite implied, this kind of enforcement can only happen when members of the moral community care enough about the means and ends at stake to confront offenders and then subsequently to reintegrate them into the community. It is possible, of course, for courageous and honorable people to confront wrong-doers in the workplace, and the offender may be shamed by such confrontation. But unless the confrontation is backed up socially, the offender will be quickly reintegrated without changing behavior—indeed, the effect will be to reinforce wrong-doing and marginalize the one who confronted. Robert Jackal described exactly such a situation, in which an employee who insisted on “his own moral purity” was isolated and tainted in the eyes of workmates: “His moral code made other people uncomfortable...with their moral standards and ethics” (Jackall 2010, p. 116). Shame was reversed; the confronter was forced out.

This anecdote exemplifies the importance of moral cohesion in a community of practice. Habits of shoddy or dishonest work can become the norm if they are not confronted, and self-interested ambition can become the virtue that is honored—as it was in the lead-up to the 2008 financial crisis (Jackall 2010; Smith 2012).

The centrality of this point calls for emphasis and restatement. Virtues are not a list from a book. Virtues in fact are the qualities of character that are honored in practice as the internal goods necessary to achieve the external goods that are valued in the practice. Cruelty may not appear on the lists of virtues in business texts, but in some groups and practices, it is a virtue—as it is, among torturers. There is indeed honor among thieves, but it is not honor as we want to teach it in business schools. Loyalty is a virtue easily attached to secrecy and protection of aberrant soldiers, clergy, police officers, and business associates—to the detriment of justice and the social good.

Virtues are subject to corruption, yet to depend only on the law for enforcement of business morals will be entirely inadequate to preserve moral norms. This was the lesson from attempts to confront software piracy.

We did not find a relationship between recognition and judgment, but the strong recognition scores...suggest that respondents may be desensitized to software piracy. In other words, because piracy is perceived as commonplace, recognition of the act does not provoke moral outrage. Deciding whether to engage in software piracy, therefore, begins with an individual's judgment and not recognition of the ethicality of the act itself" (Moores and Chang 2006, p. 175).

The authors suggested that instruction in intermediate moral norms such as respect for intellectual property may be helpful in raising ethical awareness, but the greater challenge is “sensitizing students to the problems inherent in software piracy” (p. 175). Notably, they searched for kinds of piracy that might trigger moral recognition in the buyer. Their point, in other words, was to evoke a sense of shame.

The power of shame gives it a dark side, with debilitating and irredeemable stigmatization, humiliation, and dehumanization (Jacquet 2015, p. 24). It can provoke rage and violence, precipitate suicide or other self-harm, permanently sever social relations, or compel individuals to conform to social expectations that they feel certain are wrong. Examples of such effects abound in descriptions of hazing rituals and crimes such as shop-lifting and illegal drug use, as well as in the conduct of business. Restoring one's self-image can involve prosocial behavior but also unethical behavior, depending on the person's orientation and values and the direction of pressures being felt. Either way, people who have been shamed “are simply focused upon fulfilling their own requirements for positive self-image” and are thus less aware of effects on others (de Hooge 2013, p. 209).

Because of its powerful characteristics, moral formation and business ethics must take account of shame. As one of the nine basic affects, shame is inevitably part of experience, and it is a task of moral culture to ensure that shame works to the good of the business and the good of society. Exercises in a business ethics class cannot achieve this; moral apprenticeship in a community of practice oriented to justice can.



### 11.2.3 *Respect*

Respect is the bedrock recognition of community membership, acknowledging the dignity and worth of members as members. The meaning of respect is well expressed in the notion of “economic citizenship,” which “treats the citizen both as a moral person and as an economic agent” who respects the business interests and activities of others and expects the same respect in return. Because all human societies are constituted as systems of exchange, membership and respect as economic citizens are essential to human dignity and extend equally “to all members of society, independently of their economic success or failure” (Ulrich 2008, p. 244). This respect is due to persons regardless of how useful they may be in an economic sense: it is not something bestowed out of a sense of charity. Respect of members is a matter of right and an act of social solidarity. As economic citizens and members of society, all have a right to having their basic needs met and to be able to exercise certain basic capabilities (Ulrich 2008, pp. 251–252):

- to understand one’s own life in context and to orient oneself in life...
- to develop one’s own personality, self-awareness and self-respect and to make use of them effectively in the world of employment...
- to develop a sense of social belonging...
- to exercise one’s rights...
- to found and support a family...
- to participate in social communication and democratic politics...
- to ensure one’s own economic welfare by one’s own efforts, whenever possible...
- to lead a life worthy of a human being

This list of basic capabilities is consistent with a shorter list attributed to Norm Bowie (Duska 2012) and a longer list composed by Martha Nussbaum (2006, 2011). The point is in every case the same, that economic life should not require the sacrifice of human dignity; it should rather support it, express it, and increase it (John Paul II 1981, n.9).

Because we are long accustomed to speaking of respect as a matter of individual dignity, we can forget that it is a social virtue. It is premised on recognition by others, which establishes it in us. Self-respect is therefore a personal reflection or application of a social recognition that we claim for ourselves. The social nature of respect is essential to justice in the workplace, because work and membership are closely linked with personal identity and meaning. Without respect, workers are simply being used for other purposes, merely as means and not recognized as ends in themselves, to use Kant’s expression (1785/1956).

In the same way, respect is owed to those with whom the business associates in the public arena: customers, clients, suppliers, contractors, and the general public. To recognize—in action and attitude—the dignity of others is the realization of a critical feature of social justice. Businesses play an especially important role in

affirming respect because of the voluntary nature of the marketplace, which depends upon openness to participation under fair terms of cooperation in order to function as it should. Respect is further strengthened in marketplace participation by experiencing market virtues such as true information, reciprocity, and fidelity to agreements.

### 11.3 Moral Intervention in Communities of Practice

The centrality of honor, shame, and respect in human societies as systems of exchange magnifies their importance as part of moral apprenticeship in communities of practice. Most of the time, social control operates in an informal and ad hoc way as occasions arise, but it is sometimes important to intervene with more intentional and organized responses to concerns in the workplace or in the public arena. Keeping in mind everything that has been said about public deliberation above (Ch. 7)—and entirely consistent with it—we can look to restorative justice for models of intervention within a program or context of moral apprenticeship. Such responses should not be organized on a pass or fail basis, but rather used a learning opportunities, to model respectful interventions and to practice the dynamics of restoration after offenses or failures.

The key characteristics of restorative processes define a social space in which moral learning is enhanced: opportunities to practice role effectiveness, safety to ask difficult questions and openly address conflict, recurring free space for participant empowerment, preservation of affective attachments to personal networks and social institutions, cognitive awareness and articulation of moral norms, and structured performance of moral norms. The key to the effectiveness of the process is that moral learning occurs in a social context that evokes the authority of both communal and universal moral norms. Moral intervention cannot be left to chance in a program of moral apprenticeship. It is essential to prepare in advance a direct and open process that can address business and professional conduct in terms of both formal codes of conduct and informal and covert social and moral norms.

This kind of intervention has three phases: (a) to explore and express the concerns, questions, and risks at stake in problematic situations; (b) to engage in group problem-solving to arrive at agreement on a response to the problem and, where needed, to repair the harm done; and (c) to ritualize in some way the reintegration of concerned or conflicted persons as valued members of the community (Taylor and Kummery 1996). Participants include the persons directly involved in the situation as well as other supporting or concerned persons as members of the moral community, usually involving 12–15 people but perhaps more, as needed. Each conference deals only with the particular situation for which the conference is convened, seeking to work out a resolution to which all in the conference agree by consensus.

The process must ensure that all participants are respected, heard, and permitted to contribute to the solution; therefore, participation is voluntary for all. Trained

facilitators, mediators, or coordinators bear the responsibility for creating a safe space in which questions, injuries, and conflicts can be converted into healing and community development. Participants are usually seated in a circle, and people are given an opportunity to express their feelings, to get their questions answered, to receive apologies if offered, to help draft a plan of action going forward, and to participate in some kind of ritual or act of reintegration at the close of the conference. Persons of concern are given the opportunity to become aware of the risks or possible harm in what they have done, to accept responsibility for it and affirm it as unacceptable, and to actively participate in determining how to correct for the behavior in the future and restore right relations. The implementation and follow-up steps are obviously essential to the whole process, and for this reason they should be spelled out clearly, even in terms of a written agreement that the parties sign. Follow-up to the agreement should include the efforts of all those directly involved as well as other appropriate informal support or public services such as counseling and training. Accountability for reintegration questionable conduct or offenses is broad based (McDonald et al. 1995). There is always some risk of marginalization, lingering irritation, or false pride that can become an obstacle to moral formation and the best interests of the business.

According to Hyndman, Moore, and Thorsborne (1994, p. 16), the conference has three intended outcomes: (a) it mobilizes social resources in a collective response to questionable or harmful behavior, including informal support networks and public service agencies; (b) it demonstrates collective concern for those put at risk and strengthens safeguards against future problems or offenses; and (c) it encourages empowerment of local communities in solving the problems that arise there, rather than avoidance and cover-up or dependence on the outside authority of the state courts and police. Taylor and Kummery (1996, pp. 45–46) summarize the expected outcomes as enhancing “feelings of connectedness, care, and social consciousness” and reducing “victimizing behavior” in the future. Conferences characteristically have a tense atmosphere at the beginning, with frequent references to shame by offenders, but persons on all sides of the situation shed their labels during the conference, and the closing atmosphere is relaxed and positive.

Bringing social pressure to bear on the offender through direct expressions of disapproval is central to this process of the “shaming of criminal *acts* and the subsequent reintegration of deviant *actors* once suitable redress and apology have been made” (Braithwaite and Mugford 1994, p. 140, emphasis in original). Elements of social regulation strategies—prevention, social support, and intensive response to offenses—are combined with elements of conflict management involving participatory decision-making and conflict resolution (Hyndman et al. 1994).

The social space of the mediation conference opens participants to new levels of competency in their established roles, because new demands are made and new skills are introduced. Participants’ role effectiveness within the space is enhanced because they are explicitly expected to perform their role as a co-worker as well as a concerned citizen—as though looking at the concern as it would be seen from outside the workplace. This role enhancement can also increase competency outside the space of the conference, not only because each person has learned new skills but

also because performance in the conference can shift the way others perceive their co-workers as they see them performing well in different circumstances. The structure of interaction that defines the space provides the security participants need to openly address difficult and conflictual issues constructively and nonviolently. Conflict is “an essential element in the social learning process” (Dobbert 1985, p. 160) and critically relevant to experiencing the power of moral norms.

Every problematic situation or offense creates a new relationship or alters an existing relationship, within which persons of concern are directly accountable to the moral community to correct their behavior and repair any harm done. The concerns in question also generate moral accountability on the part of the social networks of those involved to resolve the conflict through emotional and reparative solutions, and to reintegrate those affected into their respective networks as valued and respected participants.

In this way, interventions can strengthen the bonds of affiliation, mutual responsibility, mutual support, and respect among those involved. By publicly acknowledging the importance of these bonds and holding members of the community responsible, they provide a means through which moral communities can express, stand behind, and demonstrate the importance of substantive values. Restorative practices such as conferencing involve people in cooperative and productive activity, in which they experience their own power to contribute to the common good and experience themselves as valued members of a commonwealth of co-workers and ultimately of citizens.

Equally important to the power of the conference is the combination of two distinct sources of moral authority: the communal authority of intimate relations and the universal authority of impersonal norms. Communal norms arise naturally as “a necessary outgrowth of the social network” which all people instinctively form (Naroll 1983, p. 131), so that the “innate human longing for society may, in fact, provide an innate mechanism for moral codes and moral world views” (p. 135). To a certain extent, every group, workplace, and profession develops its own moral norms. Conferences provide an opportunity to check those norms against universal norms that transcend this conditionality, to speak to the common human condition or at least to articulate a moral perspective capable of rising beyond the confines of a single cultural or ethnic viewpoint. Universal moral norms, unlike communal norms, are developed through rational ethical reflection on the nature of humanity and moral obligation. It is in this sense that John Rawls (1985, p. 231) articulated the universal moral norms of justice that operate within “the public culture of a democratic society.”

Moral authority is strengthened when its effectiveness in resolving social problems is demonstrated by the acts of “re-trusting” offenders and restoring positive working relations. Even offenders experience themselves as a source of moral authority in this way. Those members of communities who embody this moral authority are given the opportunity to demonstrate their capacity to solve social problems, so that the most powerful mechanisms of participatory and situated learning are brought into operation in this understanding of community-based moral education.

Moral interventions in communities of practice thus strengthen but also correct the moral norms of the practice as it is instituted in this particular place. At the same time, moral interventions strengthen the community's accountability to the norms of the larger society. Here we can see clearly how business schools can play a unique role in convening interventions, since they are by their institution knowledgeable about the practice of business and at the same time committed to a larger world of academic and moral accountability.

## 11.4 Conclusion

The institution of moral apprenticeship, as proposed here, is both a “transforming experiment” and an “ecological experiment,” as defined by Urie Bronfenbrenner (1979). As a transforming experiment, moral apprenticeship speaks to the overarching moral norms of society, and as an ecological experiment, it changes the “existing accommodation between the person and the milieu” (Bronfenbrenner 1979, p. 36). Persons previously relegated to the sidelines are brought into a clearly articulated and intentional forum, where they are able to express their values and feelings and exercise responsibility for each other and for their profession, the business, or the public at large. According to Bronfenbrenner, this kind of experiment provides an ideal opportunity to discover which relationships and interactions among individuals, communities, and societal institutions are important in moral learning.

If you wish to understand the relation between the developing person and some aspect of his environment, try to budge the one, and see what happens to the other. Implicit in this injunction is the recognition that the relation between person and environment has the properties of a system with a momentum of its own; the only way to discover the nature of this inertia is to try to disturb the existing equilibrium. It is from this perspective that the primary purpose of the ecological experiment becomes not hypothesis testing but *discovery*—the identification of those systems properties and processes that affect and are affected by the behavior and development of the human being. (Bronfenbrenner 1979, pp. 37–38, emphasis in original)

This kind of transforming and ecological experimentation is needed in the business world, if we are to see the fulfillment of its essential role in providing for the public good. Through the intervention and facilitation of schools of business, every workplace can become a site for intentional moral learning as a trustworthy structure, a “free space...between private lives and large-scale institutions where ordinary citizens can act with dignity, independence, and vision” (Evans and Boyte 1986, p. 17). Because of its stability, recurrence, and consistency, moral apprenticeship can become a “snowball” in terms of moral learning, a “self-reinforcing process...[in which] the more of something an entity already has, the more it is likely to get still more” (Naroll 1983, p. 26).

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## Chapter 12

# Conclusion: Moral Formation and Ethical Reflection in Business Education

**Abstract** The fundamental components of business ethics education are moral formation and preparation for ethical leadership. To be effective, moral formation must take realistic account of the actual moral norms of the workplace, since these enacted priorities will govern who can be effective in the organization and who will advance to leadership. It is only in appreciation of the real context of actual practice that educators can guide the moral formation of students toward meeting the social obligations of business for the general welfare. Similarly, education for ethical leadership must be situated within business priorities as a part of business strategy, as the pragmatic pursuit of the good that is possible in the given situation. To arrive at an understanding of the good that can become the basis for agreement on just operations and outcomes, business leaders must be prepared to engage in public reflection on the values and outcomes at stake, and be prepared to lead, as needed, the public deliberations to address and resolve conflicting conceptions of justice. It was recognized a century ago that business leaders were becoming the new elite, with the power to shape morals across a vast nation and even the world. It is now time to explicitly renew the call articulated at the founding of the great American business schools, that business leaders take in hand their responsibility to achieve the social good as envisioned by the founders of the United States: prosperity and justice for all in and through a market economy.

**Keywords** Moral formation • Moral apprenticeship • Business ethics • Justice

### 12.1 Moral Formation

Moral formation is rooted in our evolutionary history as a group species—as a social animal, to use Aristotle’s expression. In order to survive individually and collectively, each member of the species is born attentive to social cues and with a capacity to internalize social and moral norms. Morality therefore arises naturally in each individual as an *experience-expectant* feature of human life: a genetic, in-born readiness for moral development to be triggered by social interactions. Just as eyesight is a capacity awaiting the experience of light for its full development, so is



moral development a capacity awaiting social interaction. Humans born into a society cannot *not* absorb its social and moral norms, in their in-born desire to achieve social membership and thus secure their survival. This natural tendency to moral accountability gives morality its powerful orientation toward social conformity, with a keen attention to social norms as they are expressed in the behavior of the social group.

The significance of this point for moral educators can be illustrated by reference to learning a language. Infants are born with an experience-expectant capacity to learn language: the brain is hard-wired to hear and grasp the significance of the labial and tonal variations that comprise spoken languages. But the particular language learned is *experience-dependent*. There is no genetic, in-born preference for one language over another, and no language can be learned without experiencing it.

In the same way, every infant awakens in society with experience-expectant readiness to learn the moral and social norms that are essential for survival. Yet the particular norms learned are experience-dependent: norms differ from one society to another. Furthermore, not all the behavior experienced is equally formative: each individual pays greatest attention to those with a prominent place in the group's attention structure. For infants, this is usually the mother; for toddlers, it extends beyond parents to older siblings; for children and juveniles, attention turns to particular responsible adults but even more so to older peers. From young adulthood on, the central figures in the attention structure are those who wield the greatest moral authority: those individuals whose approval is most essential for one's social standing and whose authority is most dominant in the group.

Given this reality, moral educators always work in an environment in which the moral development of each individual is strongly tilted toward conformity to the existing predominant attention structure and thus the dominant norms in the normative reference group. Educators do not get to choose the moral exemplars who influence their students; hence, the frequently-voiced frustrations with negative peer pressure, misleading marketing images, and heroic outlaws.

Some of the concerns with media images are misplaced, however, since moral learning occurs most powerfully in face to face interaction among persons who recognize the individual and have authority in that individual's life. The most effective scale of normative community allows for personal recognition by community members outside one's own family yet upon whom the individual is dependent in important ways for survival and meaning. The individual's behavior is visible to other members in the community, who expect each person to bear responsibility for the demands of membership, holding each accountable for performing duties as expected and abiding by prohibitions. In such a community, informal social controls such as shame, honor, and respect compel conformity through a threat of exclusion, the promise of praise, and the ever fragile status of being respected as a member in good standing.

## 12.2 Moral Formation in Modern Industrialized Societies

As part of this moral developmental scheme, persons tend to identify with normative reference groups characterized by face-to-face affirmation and accountability. This continues to be true whether people live in a small village or begin living in large industrialized cities that render much of their behavior anonymous. Individuals consistently seek out or form groups that can meet their need for belonging and moral reference: churches, associations, clubs, neighborhoods, or clans that retain at least some of the characteristics of a normative reference group. Most importantly, individuals seek membership in a social group that can ensure affective inclusion, honor, respect, safety, provision of basic needs, and the possibility for advancement in the attention structure as insurance against the threat of shame and exclusion.

At the same time, it is a feature of industrialized societies that most persons move in and out of several different normative reference groups, and members of these groups are often unknown to each other. Thus, even though the interactions in each group trigger experience-expectant moral development, the moral authority of the norms can be lessened by these ruptures and gaps among groups. Honor or shame experienced in one group will have less impact if it is not known and reinforced in other reference groups. Such examples are ubiquitous: a person honored in the workplace for creativity and contributions to business success may incur the disrespect of neighbors frustrated by an overgrown lawn and unkempt house. To some extent, personal identity and a sense of personal history bridge these gaps so that each person carries within his or her self the moral admonitions from each group; yet, human beings are surprisingly resilient in their selective retention of such admonitions, which are inevitably less authoritative and more easily excused because of social gaps among groups.

With the advent of rapid travel and pervasive electronic communications, a new social context has emerged that lacks even the weakened accountabilities of multiple separated normative reference groups. Network interaction, which allows multiple connections with other persons having little or no face-to-face interaction, can become a source of affirmation and even bestow a certain kind of respect and social status. These linkages depend almost entirely on what each person wants to reveal about his or her self, relieving participants of the accountability that comes from independently verifiable observation and recognition. This lack of personal accountability is liberating but also can be socially isolating. Without face-to-face accountability, each person must retain a sense of moral skepticism in interactions with others, who may not be who they claim to be or to care for others beyond the value of momentary interactions. Network interaction does not evoke loyalties of membership or incur the obligations of mutual support and protection.

To the extent that one's interactions—socially and economically—occur in and through such networks, the primary moral obligation is personal utility: determining for oneself what one wants from others and engaging with others to attain or maintain those ends. In order for this self-referencing accountability to substitute for the social affirmation provided through meeting social obligations and earning

the esteem of others, the pursuit of utility requires continual acquisition. Socially this becomes a pursuit of network connections with potentially useful social capital. Economically this self-accountability becomes a pursuit of one's maximum competitive advantage, with a sense that one's welfare depends entirely on what wealth or security each person can accumulate. Politically, network accountability is expressed as protecting what is valuable to me and mine—colloquially expressed as “what's in it for me” and “not in my back yard.” Socially, politically, and economically, the only common good that is at risk is the network itself, and networks are often replaceable. Indeed, each person assumes a responsibility to continually shop for networks of greater advantage. To remain bound to a network of less advantage would be understood as misplaced loyalty and irresponsible attachment.

Given the inherent insecurity in the network relations of modern industrial society, the desire—one could even say the *ache*—for membership in a face-to-face-normative reference group magnifies the affective and moral power of the memberships a person *does* achieve. The longing for the protection, provision, and affection that such groups promise intensifies the desire to conform to the social and moral norms expected. Cults and gangs come to mind immediately, but for many people in modern Western societies their primary social location will be their workplace. This is where they can most clearly earn the social status desired and the material rewards upon which security and honor depend. The crisis many people face upon retirement is loss of the only substantive group they have.

For many in modern industrial society, employment is their sole source of material livelihood, social membership, and protection against insecurity—all of which give places of work powerful moral authority. This combination of individual desire, social anxiety, and material necessity make the modern workplace central to social standing and a powerful location for moral education. Because the dynamics of moral formation are so enhanced, the potential effects of moral intervention are also enhanced. Where social need is high, moral apprenticeship can provide a structured way to meet those needs and at the same time guide the formation of social and moral norms toward the good of the business and of the public.

### 12.3 Ethical Reflection

As described by Raoul Naroll (1983), the human species evolved in a three-level social structure of families within bands and bands within tribes. The primary normative reference group was the band, which was large enough to have moral authority over individual families but at the same time small enough to allow face-to-face recognition of individual members and thus be able to hold them accountable to social and moral norms. To some extent, however, the band owed its moral authority to its place in the larger social unit of the tribe, which exercised overarching moral authority among member bands, embodied in leadership ranks, rituals, religion, myth, warfare, commerce, and a shared language.

Given this three-part structure, it has probably been the case from earliest human experience that groups respected certain kinds of overarching moral norms in interactions with other groups, especially as these were extended through commerce and religion (Henrich et al. 2010). With the emergence of complex ancient societies, the overarching moral authority of religion and commercial networks was articulated in codes of law, such as the Code of Hammurabi in the Near East and the Tang Code in China. Laws such as these became the foundation for a rational framework of justice, which provided a reinforcing yet adaptable avenue for overarching moral authority. The development of impersonal moral norms of justice allowed for virtually unlimited extensions of provisional and rational agreement to govern inter-group relations.

Industrialization and scientific thinking emerged as potentially disruptive to both rational and ritual moral authority. The evidence-based search for truth displaced the traditional sources of moral authority, while industrialization and urbanization scattered the memberships of traditional normative reference groups as the source of provision, affection, and protection. This fragmentation of the experience-expectant site for moral learning increased the need for ethical reflection, that is, critical rational reflection on morals as they are experienced in varied and often conflicting settings. In this context, Nietzsche's observation that God had died articulated what many were feeling, that overarching moral authority was contingent upon human efforts rather than upon larger authoritative realities, human or divine, rational or ritual. All matters of justice and religion became questionable as human constructs rather than facts of nature or divine design.

It is not surprising that one reaction to this unsettling sense of contingency was religious fundamentalism, with its insistence that divinity was ultimately in charge of human affairs despite all evidence to the contrary, nor is it surprising that another reaction was religious communalism which attempted to reconstruct a traditional society that integrated work, welfare, and moral authority. Despite the popularity of these two movements, both remain sensitive to and ultimately in conformity with the pervasive influence of industrial provision and scientific authority. As long as individuals participate in what is now a global economy and its social networks, there is no social space that is fully outside it.

This is the current social situation, in which ethics for the public arena must be articulated and upheld. Ethical reflection must be undertaken with full recognition of the disruption and divisions affecting conceptions of justice and religious authority. Because of these divisions, public ethics cannot conform to any particular normative reference group or tradition but must rather be limited to governing political, economic, and social interactions among these groups. This is the political conception of justice elaborated by John Rawls, which has become a task incumbent on those with responsibility to conduct business and govern public institutions.

In this sense, public ethics stands in contrast to the participatory ethics of networks by placing political justice over network relations. The authority of justice does not arise from the utilities of network membership or the moral authority of normative reference groups, but instead must be generated through public deliberation under the standards of public reason and fair and equal participation. The moral

authority of justice depends on its adequacy and durability in providing a framework for intergroup relations, that is, as a rational justification for arrangements that ensure provision, protection, and space for affective membership and social well-being. Justice at the level of public ethics, flowing downward (so to speak) from legitimate intergroup deliberation, meets the internalized moral obligations of interpersonal fairness, care, and responsibility flowing upward from normative reference groups.

## 12.4 Future Indications of Business Ethics Education

It goes beyond the scope of this book to design a curriculum for business ethics education or a program in moral apprenticeship, but some directions for curriculum and apprenticeship design are evident in the preceding reflections.

*First*, it is essential to approach the teaching of business ethics as a combination of moral formation and ethical reflection. Moral formation is on-going and never complete, despite the oft-quoted quip that, “If they don’t know right from wrong by this time, it’s too late.” Indeed, human beings cannot *not* continue their moral formation, because belonging to and functioning with a group require continual normative alertness and learning. Similarly, ethical reflection on morals is an on-going task, both in process and in the intended aims. The process of critical, rational evaluation of moral situations is never complete because new situations continually arise, and the end of ethical reflection—as a determination of justice—is never final. Thus, business ethics education must include elements of moral formation as well as ethical reflection.

*Second*, professional instruction, moral formation, and ethical reflection should not be neatly separated in schooling, just as they cannot be separated in practice. To some extent, the integration of ethics across the curriculum reflects this real-world sensitivity, but even in then, the units on ethics can be conceptually distinct from the business of learning business. In order to achieve a more action-oriented integration, Robichaux (2012) recommended that formal and continuing professional education include clinical skills training, problem-solving, professional conduct instruction, and ethical reflection. Similarly, Ian Edwards and colleagues (2012) found it helpful to introduce early in the curriculum several models for ethical reflection for students in physical therapy, at the same time as they were learning preclinical skills and professional conduct requirements such as confidentiality and informed consent. While this didactic learning was occurring, the students were also being socialized into the profession as they observed clinical educators and physical therapists in action (p. 164). The guided reflection on ethics introduced moral disequilibrium by highlighting ambiguities in the situation of practice and opening up space for critical evaluation of moral assumptions, which contrasted with the normative expectations of professional practice and knowledge (p. 159). This contrast deserves emphasis: an important aim of professional education—including business education—is to increase confidence in one’s knowledge

and capabilities to handle the unknown situations that will arise in future practice, which increases the pressure on students to conform blindly to social norms in business or professional practice. While students internalize the moral norms in their profession's code of conduct as a ready repertoire of mandates and rules for action, they also need the ability for ethical reflection to recognize ambiguities and conflicts in practice that call for critical reevaluation.

*Third*, the explicit ethics curriculum always occurs in the context of implicit normative formation embedded in the professional course of study and the predominant social norms of professional practice—where it often disturbs settled ideas and expands the range of moral considerations in the arena of practice (Edwards et al. 2012). In the training of physical therapists, for example, “forms of learning which prioritize positivist and biomedical formal logic” predominate over moral considerations: “Holding in tension of multiple realities is not necessarily encouraged” (pp. 163–164). The same can be said for business education. Managerial norms such as transaction cost economics are taught as nonnegotiables: this is the way businesses work, and this is the kind of thinking students must internalize if they want to succeed. Scott Masten (1993), a key contributor to the transaction cost economics literature, made this point explicit in his advice to business students:

Transaction-cost economics aspires to influence as well as understand behavior...

In effect, transaction cost economics offers strategy a set of normative rules for choosing among alternative governance arrangements. To the extent that governance choices are an important determinant of firm performance, managers would be well advised to heed those rules and to factor transaction-cost concerns into their decision-making calculus. (quoted in Ghoshal and Moran 1996, p. 15)

Ghoshal and Moran point out that transaction cost economics allows for strategic behavior in the sense of a “calculative orientation” in which the business leader makes empty or false promises or threats in order to increase business advantage (1996, p. 17). It is difficult to reconcile this kind of calculation with the aims of professional moral formation and the ethics of justice. Yet, as these authors pointed out in their critique of transaction cost theory, “All positive theories of social science are also normative theories” (1996, p. 15).

*Fourth*, affective engagement is an essential part of moral formation. This has long been recognized among adherents of virtues ethics and character education, in their appreciation for the role of the community in forming individuals through praise, admonition, and example—all premised on the desire for and realization of identification with the community. The most powerful moral learning occurs in professional practice as a kind of moral apprenticeship as individuals learn what matters by bearing the responsibilities of their profession and earning the esteem or criticism of those wielding moral authority. The research of Morton and colleagues (2006) captured in very clear terms the power of affective learning as the prerequisite for moral decision making and ethical reflection. In their summary of their findings on medical students' moral learning in terms of Rest's four component model, moral sensitivity and moral motivation led to improvements in ethical reasoning and judgment. Strongly held moral ideals and values (associated with moral motivation) contributed to empathy and social identification and thus greater awareness of

ethical issues in the situation (moral sensitivity), without which the students did not engage in ethical reasoning—or, their reasoning was limited to rigid application of intermediate norms without thoughtful consideration of alternatives or ambiguities.

It is in the setting of practice that the moral apprentice is shaped by the affective forces of honor, shame, and respect—yet not left entirely subject to these forces: apprenticeship also includes education in critical and rational reflection in light of the demands of justice.

## 12.5 Conclusion

Programs in business ethics and moral apprenticeship rest on a solid factual foundation. Central to human innate sociality are the moral norms of exchange that have been part of the development and expansion of human societies from their origins. Every individual grows into adulthood with an awareness of interdependence and a duty of reciprocity, accompanied by a sense of justice. Humans are especially alert to unfair exchanges and unjust treatment, which evoke reactions of offense, anger, and a desire to hold offenders accountable.

The human species inherited with its primate cousins the mechanism of shame to confront the offender: threatening exclusion from membership until the offender renounces the offending behavior, restores what has been lost or harmed, and seeks reengagement with the community in positive social interaction. This pattern of reintegrative shame undergirds the self-correcting morality of human in systems of exchange (Braithwaite 1989). At the same time, the sense of reciprocity ensures that exchanges will continue with mutual benefit. The fundamental human dynamic of *do ut des*—I give that you might give—is the well-spring of the shared prosperity and social welfare of the community.

The centrality of political justice in the institutions of private property and the competitive marketplace make it necessary to include ethical reflection as part of business ethics. As Joseph DesJardins observed, “Too much of contemporary business ethics, in my opinion, is focused on questions of individual morality and the individual business manager, rather than on business as a social institution within a political context” (2012, p. 133). Just as a meaningful human life is a life spent in pursuit of the human good as understood by each individual (p. 134), the meaning of business is found in its delivery of social welfare in support of political justice. The meaning of work is therefore derived from its satisfaction of both individually determined goods and the common good as defined socially and politically (p. 145). A central task of business ethics education is preparing business leaders to understand this fundamental social responsibility and to conduct their business in accord with justice.

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