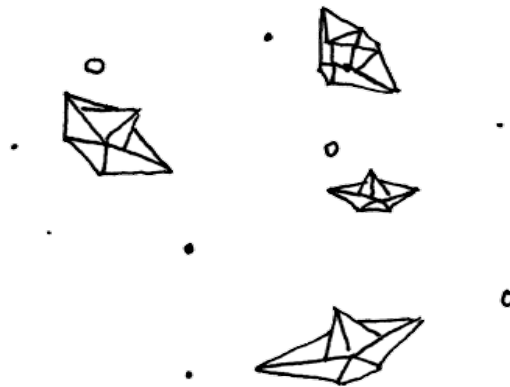


ETHICS BSC | 2024/25

Prof. Joana Corrêa Monteiro & Pedro Franco

READINGS



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GENERAL GUIDELINES FOR READINGS

Below you will find all the readings for this course. Weekly readings for this course will be around 15 pages on average (around 1 hour of reading). Should you wish to read secondary literature or the full piece of any of these readings, please refer to your instructor.

Classes 1 and 2 – Human flourishing, virtue and vice, character, free-will

To better understand what we have discussed in class 2, please read the excerpts from Plato and Aristotle (class slides) and Peter Kreeft's book chapters from *Ethics for Beginners*: "Socrates (470-399 BC): «Know Thyself», "Plato (427-347 BC): Socrates Systematized", "Aristotle (384-322 BC): The Ethics of Common Sense", "St. Augustine (AD 354-430): Love and the Heart" and "St. Thomas Aquinas (AD 1225-1274): The Marriage of Christian and Aristotelian Ethics". Additionally, you can read the Theranos Case Study Note to revise your learnings from Class 1.

Classes 3 and 4 – Utilitarianism, deontology, and moral dilemmas

Read in advance the excerpts from Jeremy Bentham, John Stuart Mill, and Immanuel Kant on the class slides as well as Peter Kreeft's book chapters from *Ethics for Beginners*: "Immanuel Kant (AD 1724-1804): A Non-Metaphysical Moral Absolutism" and "John Stuart Mill (AD 1806-1873): Utilitarianism".

Classes 5 and 6 – Distributive justice

Read the selected excerpts from Aristotle, John Rawls, Amartya Sen, Robert Nozick, Thomas Hobbes, and John Locke on the class slides. Additionally, read the selected parts from Michael Sandel's *Justice* (starting with "The Minimal State" for the chapter on Libertarianism and starting with "Imagining the Perfect Contract" for the Rawls chapter). To get more context about Hobbes and Locke, read the three pages from A. MacIntyre's *A Short History of Ethics* further below (Chapter 12, "The British-Eighteenth Century Argument").

Classes 7 and 8 – Moral limits to markets

Read the selected excerpts from Adam Smith on the class slides. Additionally, read the selected parts from Debra Satz's book chapter (starting with "What Markets Do" in *Why Some Things Should Not Be for Sale*) and from Michael Sandel's book chapter (starting with "Incentives and Moral Entanglements" in *What Money Can't Buy*). For an alternative reading of Smith, read the last 3 pages from Amartya Sen's *On Ethics and Economics* (starting with "Adam Smith and Self-interest"; the rest is optional).

Classes 9 and 10 – Business Ethics and CSR

Please read Milton Friedman's article "The social responsibility of business is to increase its profits" and Robert C. Solomon's "Business Ethics" in full.

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Friedman, Milton. "The Social Responsibility of Business is to Increase Its Profits." In *The New York Times*, 13 September 1970.

Kreeft, Peter. *Ethics for Beginners: Big Ideas from 32 Minds*. 2020. St Augustine Press.

MacIntyre, Alasdair. *A Short History of Ethics*. 2002. Routledge.

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Sen, Amartya. *On Ethics and Economics*. 1987. Blackwell.

Sandel, Michael. *What Money Can't Buy. The Moral Limits of Markets*. 2012. Penguin.

Sandel, Michael. *Justice. What's The Right Thing to Do*. 2009. Farrar, Strauss and Giroux.

Solomon, Robert C. "Business Ethics." In *A Companion to Ethics*, ed. Peter Singer. 1991. Wiley/Blackwell.

Socrates

(470–399 BC):

“Know Thyself”

No mere philosopher in history has ever made more of a difference than Socrates. No one ever changed the face of philosophy more. Compared to Socrates, all previous philosophers were very small children. They are all lumped together as “pre-Socratics.” Socrates is truly the father of philosophy.

The Socratic revolution in philosophy consisted in two main things. First, Socrates turned the attention of philosophy to ethics. The pre-Socratic philosophers

were all primarily concerned with cosmology, with the universe outside us. They were not so much primitive philosophers as primitive scientists, though their method was poetic and intuitive rather than scientific. Socrates, in total contrast, philosophized only about human life and human virtues and vices.

The second change was in method. Socrates was the first person in history who clearly knew what a logical argument was. If anyone can be said to have invented logic, it was Socrates. But he did not merely argue in monologue but in dialogue, asking a series of logical “teaching” questions like a psychoanalyst or a prosecuting attorney rather than giving answers like a preacher.

He wrote nothing. But his brilliant disciple, Plato, wrote down his conversations into “the dialogues of Plato,” which remain the very best introduction to philosophy available to anyone. No one’s bookshelf and no one’s reading experience should be without the dialogues of

Plato. They are as educationally indispensable as the plays of Shakespeare and the Bible. No one knows how much Plato “polished” Socrates’ actual conversations when he wrote them up, so the line between what Socrates said and what Plato said is not clear. Only when we come to the political passages in the *Republic* and the more abstract and technical dialogues about politics, epistemology, and metaphysics that were written after the *Republic* are we fairly certain that Plato is using the now-dead Socrates as a fictionalized mouthpiece for his own views.

Socrates’ personality and teaching method loom so large, and the teachings he claimed to be certain of were so few, that most modern accounts ignore the second thing for the first. Yet at least three of his ideas are life-changing and radical.

The first is that the key to moral virtue, and therefore to happiness, is wisdom. That is why Socrates was a philosopher, a “lover of wisdom.” In fact, Socrates went so far as to say that moral knowledge

(knowledge of the good) is virtue and virtue is knowledge; if you know the good, you will always choose it. So if you do not choose it, that is because you are ignorant. The cause of all evil is ignorance.

The second is that it is better to suffer evil than to do it. Victims are not failures; victimizers are. When we selfishly compete in the game of life, we lose more when we win than when we lose.

The third is that no evil can ever happen to a good man, either in this world or in the next—if there is a next. Like most people, Socrates *believed* in life after death. But how could he claim to *know* that this truth applied even there?

All three of these teachings sound absurd. They are commonly called “Socratic paradoxes,” for a paradox is an apparent contradiction that is not really a contradiction.

The first sounds absurd because we all know people who are brilliant in their mind but corrupt in their morality, and other people who are quite unintelligent

but good-hearted. We also know from our own experience that knowledge is not sufficient for virtue, for we often know clearly that we ought to do X and not Y, yet we do Y and not X. Socrates is apparently denying one of the most common experiences we all have.

The second sounds absurd because we usually fear pain (suffering evil) more than sin (doing evil). In fact, we fear sin mainly because of its painful consequences. So if Socrates is right, we are all radically wrong.

The third sounds absurd because history is full of martyrs, great and small. Socrates himself was one! Great evils happen routinely to good people—they are misunderstood, hated, persecuted, oppressed, tortured, and killed. Socrates is apparently denying the whole dark side of history.

Yet he is no fool. What could Socrates have meant by these three paradoxes?

If we understand what kind of knowledge Socrates meant when he said that

virtue is knowledge, we will not only understand Socrates and welcome him back to the ranks of the sane and trustable but also find a powerful key—perhaps the single most powerful key—to becoming a good and virtuous and trustworthy and lovable human being. He meant by “knowledge” what Newman called “real assent” as distinct from “notional assent.” He did not mean cleverness, nor did he mean information. He meant wisdom. And by wisdom he meant *understanding*, a true mental vision of the good, seeing how beautiful, how attractive, a morally good person and a morally good life are. If we see this, we will fall in love with it; and if we fall in love with it, we will pursue it with passion; and if we pursue it with passion, we will attain it, or at least come ever closer and closer to it. If Romeo saw virtue as something like Juliet, he would forsake everything else and marry it as he did her.

Perhaps Socrates oversimplifies here. But even an oversimplification can be an

instructive thought experiment, at least. Think of his point this way: religious Jews, Christians, and Muslims believe that in heaven, or paradise, we will be morally perfect without losing our humanity or our free choice. We will be free to choose, but we will never sin. How is this possible? By the wisdom of a “beatific vision” of the perfect good in God that makes temptation impossible. Once you fall in love with God, you become wise, you see; and then you cannot even be tempted to sin. Apply this to the present life now. If only the thief was wise enough to clearly see the good of self-control and self-discipline as the honorable and beautiful thing it is and to see the evil of being a thief as the ugly thing it is; if he saw the relative value of his own soul versus the money he was about to steal; if he identified his self not with his wallet but with his soul; he then would no more steal money than he would steal mud. Thus, the more we cultivate this wisdom, the more we cultivate our own goodness and

consequent happiness. As Buddha said, “What we are is determined by what we think.”

What Socrates meant by his second paradox was essentially the same thing that another radical moral teacher meant when he said: “What does it profit a man to gain the whole world and lose his own soul?” If we truly knew ourselves, knew what we essentially are—namely, a person, a self, a soul, a mind, a will, not a mass of chemicals and animal instincts—we would instantly see this truth. Souls—persons—are worth more than worlds, more than galaxies. That’s why Socrates thought it was so important to obey the great commandment of the god of the Delphic oracle: over his temple door was written “know thyself” (*Gnothi seauton*; later, *nosce te ipsum* in Latin).

All physical harm we do to another is also spiritual harm done to ourselves. And since the essence of the self is spirit, not body, this is the essential meaning of harm and help, evil and good.

Even if Socrates' neglect of the body is a mistake (we don't just *have* bodies as we have clothes; we *are* bodies as well as souls), it is a relatively small one compared with the mistake we usually make, sacrificing some long-range good of our own soul for some short-range good of our body, sacrificing *who we are* for *what we get* (wealth) or *how we feel* (pleasure).

Once again, it all depends on wisdom, on what we see when we look at ourselves. Do we see shapes and colors or do we see a person? Do we see a machine made of meat or a mind and a will? Do we see the heart that pumps blood or the heart that loves? Do we see only with the eye or with the mind? The mind's eye is an "I." Eyes see only eyes, but "I"s see "I"s. Know thyself!

The third paradox (that no evil can happen to a good man) follows from the same premise, the answer to the great puzzle of "know thyself." The self is the soul, not the body. Others can harm your body, but only you can harm your soul, your mind

and will, your wisdom and virtue. Therefore, the martyr, like Socrates, can pity rather than fear the fools who are killing him, because the fools are really killing themselves more than they are killing the martyr. Socrates is a good man, and evil and unjust men are killing him, and death is harm; yet in the middle of this situation he seems to deny that this evil can ever exist! He solves the old puzzle of “why bad things happen to good people” by claiming that they never do! He says in the *Apology* that it is simply *impossible* for a good man ever to be harmed by a bad one. This is made impossible not by the changeable law (*nomos*, “norm”) of man but by the unchangeable laws of the essential nature of things, the *Logos*. The connection is tight and the argument is logical: if you “know thyself” to be a soul, you understand that others can only harm your body; it is you alone who can harm your soul. For the evils of the soul are not death (for the soul is immortal) or disease or imprisonment or torture (those

are evils to the body) but folly and vice in place of wisdom and virtue; and you, not anyone else, are responsible for your own choices between rational wisdom and folly and between moral vice and virtue. The more we understand and live Socrates' three paradoxes, the more like Socrates himself we become.

It will be this notion of eternal laws (e.g., that justice is always profitable) based on eternal essences (e.g., the essential, unchangeable nature of justice itself) that Plato will erect into the most famous and controversial theory in the history of philosophy, the "theory of Ideas" or "theory of Forms."

SELECTED BIBLIOGRAPHY

Instead of reading books about Socrates, read Plato's dialogues (especially the *Euthyphro*, *Apology*, *Crito*, *Phaedo*, *Gorgias*, and *Symposium*).

After reading Socrates (not before), read my *Philosophy 101 by Socrates: An Introduction to Philosophy via Plato's "Apology."*

Plato (427–347 BC): Socrates Systematized

S O C R A T E S ' W I S D O M P O L I T I C I Z E D

Plato is to Socrates what Jesus' disciples were to Jesus: he (1) wrote down Socrates' conversations (like Jesus, Socrates wrote nothing), and he (2) provided for them an intellectual frame, an interpretation, a justification, and a philosophical foundation.

Plato's ethical dialogues include the *Apology* (a defense of philosophy and of Socrates), the *Republic* (Plato's application of Socrates' ethics to politics), and many dialogues about specific ethical virtues, such as patriotism (*Crito*), moderation (*Charmides*), friendship (*Lysis*), courage (*Laches*), justice (*Republic*), love (*Symposium*), and piety (*Euthyphro*). The *Gorgias* is about the Socratic paradox that it is better to suffer wrong than to do it. The *Protagoras* is about the Socratic paradox that evil is ignorance. And the *Apology* is a justification for the Socratic paradox that no evil can happen to a good man.

We can look at the relationship between Socrates and Plato in two ways.

On the one hand, Plato applied Socrates' principles to politics, as Socrates never did. Thus, Plato drew out what he thought were the political corollaries or consequences of Socrates' ethical principles. For instance, there were three powers in the soul and three components to justice in the soul (wisdom in the mind, courage in

the will or “spirited part,” and self-control or moderation in the desires); therefore, there should be three corresponding classes in the just state: the philosopher-kings, the soldiers, and the producers, or the masses.

On the other hand, Plato *justified* Socrates’ ethical principles, or life-view, with a metaphysical world-view—the most famous one in the history of philosophy—centering on the Platonic “Forms.” These “Forms” are the objective truths or real essences or essential natures of things, especially the moral virtues, that Socrates always sought in his dialogues. Each dialogue begins with the question “What is . . . ?” It is a quest for a real definition of a necessary and unchangeable essence, not just a nominal definition, which is only an observation of how people in one culture and time use words.

Whether human virtues and human nature itself have such an unchangeable essence, and if so whether it is knowable, and if so whether philosophizing by the

Socratic method is the way to know it, are three questions that still divide philosophers today as they did in ancient Athens. Gorgias the Sophist famously denied all three meanings of *logos* when he said that (1) there is no timeless truth; (2) even if there were, we could not know it; and (3) even if we could know it, we could not communicate it.

Politics was even more important to the ancient Athenians than it is for us moderns. To most Athenians, it did not have the reputation of being a dirty business in which you could succeed only by selling your soul. It was essentially social ethics, or morality applied to the whole community rather than the individual. Yet Socrates never entered politics, either with his body or with his speech. After his death, Plato wrote his masterpiece, the *Republic*, imagining what Socrates would have said if he had. He imagined an ideally just state headed by a “philosopher-king” with an ideally just soul. Obviously, this is Socrates himself.

What Socrates would have said had he lived to read the *Republic*, no one knows. (1) He certainly would have agreed with its final conclusion, that justice (which to Plato included wisdom and courage and moderation) was always more “profitable” than injustice—i.e., that it infallibly led to happiness, for states as well as individuals. For according to both Socrates and Plato, justice was to the soul what health was to the body. (2) And he certainly would have agreed with Plato’s point that the most important public cornerstone of a good (i.e., just and happy) society is the education of its leaders, especially their moral and philosophical education. Plato *invented* university education; the world’s first university was his “Academy,” which lasted seven hundred years, and all “academic” institutions today are named after it. (3) But there is no evidence that Socrates would have approved the benevolent dictatorship or semi-totalitarian political class system that Plato called for in his *Republic* as the

best means to that end. (However, Plato explicitly said that it was just an ideal “thought experiment” to define ideal justice, not a prescription for a political order that could actually work in this world.)

On the other hand, why should there be a gap, a double standard, between ethics and politics? Politics is made by man and for man; therefore, whatever is good for man *qua* man is good both individually and socially, for man is both individual and social. If politics is not based on ethics, on the good for man, it will be based on what is *not* good for man: on power or arbitrary will.

And yet all attempts to build an ideal politics on an ideal ethics, all utopian idealisms, have failed, including (1) Plato’s own short-lived attempt to institutionalize the *Republic* in Syracuse, Sicily, at the invitation of his cousin, who was the tyrant there; (2) the uniting of church and state in the Middle Ages; (3) the “divine right of kings”; (4) the supposedly divinely inspired sharia law in Islam; and

even (5) the theocracy God himself established in ancient Israel.

How to reconcile the two points in the two preceding paragraphs is one of the great pressing and unsolved problems of the modern world. The most successful regimes (e.g., Confucian China and modern America) have avoided both utopian idealism and cynicism, both optimism and pessimism.

**P L A T O N I C I D E A S :
T H E O B J E C T I V E R E A L I T Y
O F T H E G O O D**

The most important point or “payoff” of Plato’s “Theory of Ideas” or “Theory of Forms” is that it is his explanation and justification for the objective reality of moral values as the basis for what was later called an unchanging and objectively real “natural moral law,” in opposition to the Sophists, who were moral relativists and subjectivists.

What did Plato mean by the “Forms” or “Ideas”? A Platonic “Form” is not an external, visible, material shape seen by the

eye but an internal, invisible, immaterial essence or “nature” or “what” seen by the eye of the mind, by intellectual intuition. (Many modern philosophers, being nominalists, deny that there *is* such a thing as “intellectual intuition” of universal forms or essences or natures. They reduce intuition to sensation or feeling and intellection to calculation.)

If we call Plato’s Forms “Ideas,” we must remember to capitalize the word; we must remember that for Plato, an “Idea” is not merely a subjective or psychological *belief* or *opinion* in someone’s mind but an objective essence or meaning, like the nature of Justice, or Human Nature, or Triangularity, or Gravity, on the basis of which objective truths can be known and true propositions can be made (e.g., “Justice is a virtue,” or “Human Nature includes both body and soul,” or “Triangularity in two-dimensional space encloses 180 degrees,” or “Gravity increases with mass and decreases with distance”).

Platonic Ideas can be seen as laws. But they are not the kind of laws that are “norms” (*nomoi*), laws which can be either obeyed or disobeyed, like “Do not be unjust.” They are the “natural laws” (*logoi*) that all things obey. For example, “If you are unjust, you will be unhappy, for justice is to the soul what health is to the body”—which is the main point and conclusion of the *Republic*. These laws are not invented; they are discovered in “the nature of things.”

Do Platonic Ideas exist, even though they are not concrete individual entities in space and time? We all admit something like them in the mathematical and physical sciences; the “laws” of trigonometry and of physics are not invented or legislated by kings, congresses, or committees. The controversial question is whether there are such laws of moral goodness too, either in particular (virtues like courage, justice, moderation, and wisdom, the “four cardinal virtues,” first enumerated by Plato) or in general (“the Idea

of the Good,” or Goodness itself). Does the mind discover the laws of morality as it does the laws of mathematics and physics? Or does it invent them as it invents stories, sports, and works of art? Is ethics a science (that is the position of Socrates and Plato) or an art (that is the view of the Sophists)?

Modern Western civilization is the first culture in history where the majority of educators agree with the Sophists rather than with Socrates and Plato on this all-important issue. No question in the history of philosophy is more relevant to our current social situation than this one. Stay tuned to see whether Plato is right or wrong; whether we modern Sophists are headed toward a Brave New World of cultural darkness and “soft totalitarianism” or to a Utopia of “enlightenment” and peace.

The next great philosopher, Aristotle, will accept the existence of Platonic “Ideas” but deny that they exist in themselves. For Aristotle, forms like justice are

the forms of just men, just states, just actions, and just laws. They are objective and universal and unchangeable, but they are not separate from particulars. We know them not by pure reason but by beginning with sense experience and then mentally “abstracting” them from the particular examples that we meet in our sensory experience. Thus, the difference between Plato and Aristotle in ethics and politics is paralleled by their difference in metaphysics (the study of what is being, of what is real) and epistemology (the philosophical study of knowing, of how we know being).

Aristotle’s philosophy—in ethics, politics, epistemology, and metaphysics—is not a repudiation of Plato’s fundamental ideas but a “tweaking” or correcting of them. What Aristotle has in common with Plato is much more important than what he differs with Plato about, though that is important too. The difference between Plato and Aristotle is thus like the difference between Catholics and

Protestants, or between Christians and Jews, while the difference between both of them and the ancient Sophists, or the typically modern philosophers like Machiavelli, Hobbes, Hume, Rousseau, Nietzsche, and Marx, is like the difference between theists and atheists. The parallel is not accidental; Socrates, Plato, and Aristotle were monotheists, while the Sophists were atheists or agnostics. For the most natural metaphysical “place” for Platonic Forms is in the Mind of God.

**THE POINT OF THE
REPUBLIC:
JUSTICE (HEALTH OF
SOUL) AS PROFITABLE**

The single point that all of the *Republic* is out to prove is not first of all about political ethics but about individual ethics. The politics is just an analogy, a parallel. The point is that the thing everyone wants—namely, happiness—is attainable only through the key moral virtue: justice. The “bottom line” is that justice is always more profitable (happifying,

blessed) than injustice, both to each individual soul and to the state.

People *seem* to get away with injustice, but they never do, according to Plato. For justice is the integration of all the powers of the soul, as health is the integration and right functioning of all the organs and systems of the body. The three powers of the soul, which Plato first distinguished and which have characterized nearly all systems of psychology ever since, are the intellect, the will (which he called “the spirited part”), and the desires. (Freud’s revision of them are the super-ego, the ego, and the id. He ranks them in a way Plato would consider upside down.) The moral virtues that are essential to these three powers are practical wisdom in the intellect, courage in the “spirited part,” and temperance, moderation, or self-control in the desires.

It is no accident that our epics almost always have three protagonists corresponding to these three powers: prophets, kings, and priests (the three divinely instituted

leaders in Old Testament Judaism); Gandalf, Aragorn, and Frodo in *The Lord of the Rings*; Spock, Kirk, and McCoy in *Star Trek*; Hooper, Quint, and Brody in *Jaws*; Hermione, Harry, and Ron in *Harry Potter*; John, Peter, and James in the Gospels; Ivan, Dmitri, and Alyosha in *The Brothers Karamazov*; the scarecrow (who needs a brain), the lion (who needs courage), and the tin man (who needs a heart) in *The Wizard of Oz*; etc.

For Plato, states are mirrors of souls, since they are created by human souls. Two conclusions follow: that states follow souls both structurally and ethically. Structurally, they show the same three-part division of powers: law-making (by the “brains”), law-enforcing (by the police, the military), and law-obeying (by the masses), as a ship has a navigator, a captain, and sailors. Ethically, souls and states are also parallel because for both, justice is the key to happiness. And justice, for Plato, is the integration of all three powers with each doing its own job. It is

giving to each power of the soul and each class in the state its due.

We usually think of justice as giving to each *person* what is his due or right, but Plato includes also and first of all giving to every power of your own soul what is due to it: wisdom to the intellect, courage to the will, and self-control (moderation, order) to the appetites. And this is obviously “profitable” to us, whether or not others see it and reward it. Justice comes from within, not from without, and is rewarded essentially within, not without. Plato is saying essentially what Jesus said: “What does it profit a man if he gains the whole world but loses his own soul?” In other words, the point of one of the most detailed and far-ranging philosophy books ever written (Plato’s *Republic*) is the simple but often-denied moral truism that only if you’re good will you be happy.

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Paul Elmer More, *The Religion of Plato*

Paul Shorey, *What Plato Said*

A.E. Taylor, *Plato*

Peter Kreeft, *The Platonic Tradition*
Peter Kreeft, *A Socratic Introduction to
Plato's "Republic"*

Aristotle

(384–322 BC):

The Ethics of

Common Sense

Here are five ethical ideas from Plato that Aristotle neither simply accepts nor simply rejects, but importantly modifies because he thinks they are too extreme.

1. The first is Plato's intellectualism, or rationalism. Plato taught that evil is ignorance and virtue is knowledge; that if you really know the good, you will do it. Therefore, virtue can

be taught. This is how to make people good: by teaching, by philosophical wisdom. That was the high goal of the *Republic*. (Has it worked?)

2. Because of this power of reason, Plato believed that we can prove, with clarity and certainty, major ethical truths, like justice being always more profitable than injustice, for both souls and states. (That is the basic point of the *Republic*.) Combine this point with the first one and you get the conclusion that once you prove that justice always makes you happy and injustice makes you unhappy, you will always choose justice and never injustice. So good philosophy will make you a saint.
3. Plato believed that virtue is all you need to be happy. Socrates is happy even though he is poor, ugly, misunderstood, unjustly condemned, and killed, simply because he had virtue.
4. This, in turn, is true because the an-

swer to “know thyself” is the soul. You are simply your soul, not your body. All you need are the goods of the soul, not the goods of the body. You only “have” a body, but you “are” a soul.

5. Man is by nature wise. We are born with “innate ideas,” and we only have to “remember” them; that is the point of Socratic questioning. (The assumption behind questioning is that the person questioned knows the answer. We ask, “What time is it?” when we see someone with a watch.) And if we have knowledge by nature, then we are virtuous by nature, since virtue is moral knowledge and vice is moral ignorance.

Aristotle modifies all five of these ideas of Plato:

1. For Aristotle, mind, or intellect, or reason is necessary for ethics, but

it is not sufficient. Aristotle is neither a rationalist like Plato nor an irrationalist like Rousseau but a mean between these two extremes. The whole person must be trained, or habituated, including the will and the passions, which can rebel against the reason. Aristotle distinguishes intellectual virtues, which are acquired by teaching, from moral virtues, which are acquired by habit. Virtues are good habits; they are cultivated by repetition and practice. Each virtuous act strengthens the virtuous habit, and each virtuous habit, in turn, motivates and produces virtuous acts. The same reciprocity is true of vicious acts and habits.

2. Aristotle says that the amount of rational clarity and certainty we can expect in ethics is not as great as in mathematics but greater than in rhetoric or poetry. We can give good and sufficient reasons, but they are

not mathematically clear or mathematically certain. For ethics deals with many changing situations as well as some unchanging principles. Ethics is neither a “this is it!” nor a “whatever.” Aristotle is neither a rationalist nor a skeptic.

3. Happiness, or blessedness, which is the supreme and complete good for man and the one thing everyone desires as an end, not a means, is not just acting virtuously but also includes sufficient external goods and freedom from debilitating pain. The main part of happiness—virtue—is under our control; but there is also another part—external goods, or the “goods of fortune”—that is not. Complete happiness is good habits plus good luck. A man like Priam (the Greek Job, the righteous, virtuous, innocent sufferer) is not completely happy if he loses all his earthly goods, even if he does not lose his virtue. (What would

Aristotle make of Socrates, or the martyred saints?) Aristotle is not a materialist (for him spiritual goods come first), but he is not an immaterialist either.

4. This inclusion of material goods, in turn, follows from Aristotle's answer to "know thyself": that we are bodies as well as souls. Aristotle is neither a materialist nor a spiritualist about human nature; that is why he is neither a materialist nor a spiritualist about human needs.
5. For Aristotle, man is born neither virtuous (as in Rousseau) nor vicious (as in Hobbes and Calvin) but with a free will (he calls it "voluntariness") and is therefore open to both virtue and vice. We can only praise or blame ourselves, not society or fate or the gods, for our own personal virtues and vices. We are born with neither virtue nor intellectual wisdom but with the capacity for both. Since we are not born

with Platonic Ideas, we must learn them from experience and then rise to wisdom by rational questioning, abstraction, and induction.

H A P P I N E S S

In the Introduction we pointed out that ethics deals with three basic questions, corresponding to the three things a fleet of ships needs to know from its sailing orders: how the ships are to cooperate, how each ship is to stay afloat and ship-shape, and what the mission of the whole fleet is. And we noted that the last question is the most important because the answer to it determines the answers to the other two. Aristotle's answer to this most important of all ethical questions is happiness. Happiness is the end, the purpose, the goal, the greatest good.

What Aristotle meant by happiness was more than just a subjective feeling. It was "true happiness," or blessedness, or flourishing: the actualizing of your human potential. Thus, it is an objective end, not

just a subjective one. Drugs, or crime, or revenge may make some people “happy” for a while, but that’s not true happiness; that’s fake happiness, or mere subjective satisfaction.

V I R T U E

If happiness is the end, or the goal, then what is the means, the road? Virtue. Virtues are good habits, as vices are bad habits. The sum of your habits makes up your character.

Habits of doing what? Rational thinking and moral choosing, the two things other animals cannot do. Thus, intellectual virtues (above all, practical wisdom) and moral virtues (above all, the “four cardinal virtues” distinguished by Plato) are the road to happiness.

So even though Aristotle includes the body in his definition of man and includes the goods of fortune in his definition of happiness, for him the soul is more important than the body. The moral choices you make, and the virtues or moral habits that these choices form, and the personal

character that is the sum of these habits, are the most important ingredients for happiness. So Aristotle is much more in agreement with Plato than in disagreement.

For both Plato and Aristotle, you can't be happy unless you're good. It's the oldest moral teaching in the world. Every pre-modern moralist in every culture in the world teaches some form of it. You probably heard it from your parents when you were a little kid. Aristotle is really just Mommy's common sense in a toga.

T E L E O L O G Y

Here is another common-sense notion. In calling happiness (real happiness, true happiness) the end and virtue the means, Aristotle assumes that human life has a real end or purpose or goal and that we can either attain it (in various degrees) or fail to attain it (in various degrees). Since the Greek word for "end" or "goal" is *telos*, this is called the "teleological view" of ethics.

The end or *telos* is what Aristotle called the “final cause.” Aristotle taught that there are four “causes” or rational explanations for anything: (1) what it *is*, or the “formal cause,” or essential nature; (2) what it’s *made of*, or the “material cause,” or raw material; (3) what it’s made *by*, or the “efficient cause”; and (4) what it’s *for*, or the “final cause,” its natural end or goal or perfection. Everything made is made into something, out of something, by something, and for something.

Aristotle said that everything in nature has a final cause, not just human beings, who consciously direct their actions to an end. Fire by nature moves up, and heavy objects move down; puppies become dogs, and dogs have puppies; acorns always grow into oak trees, and oak trees make more acorns. Thus, human life, which has *conscious* purposes and ends, fits into nature, which also moves in an ordered way to ends, but *unconsciously*.

Final causality is not a scientific notion. The scientific method cannot find or

prove final causes, or formal causes (essences) either, only material causes and efficient causes. The medievals applied final causality to nature, and that was good philosophy but not good physical science. But many modern philosophers make the opposite mistake in refusing to apply final causality even to human life, and that is not good philosophy or good ethics. For if humanity has no real end or final cause or purpose, then life is meaningless. It is, as Macbeth says, simply “full of sound and fury, signifying nothing.” And the modern mistake is far worse than the medieval one, because ethics is more important than physics. No one about to die says, “I misspent my life: I thought too much about goodness and not enough about power; too much about how to treat my friends and too little about how to conquer matter; too much about morality and too little about technology.”

T H E G O L D E N M E A N

If there is one idea that runs throughout Aristotle, especially throughout his

ethics, it is that the true answer to most great philosophical questions is a “golden mean” between two equal but opposite extremes, both of which are errors. Common sense almost always takes such a middle or mediating position, and errors do usually come in pairs. For (as Chesterton says) there is only one angle at which you can stand upright but always at least two opposite angles at which you can fall.

Even if you never read Aristotle, you might be able to pass a test on him simply by predicting what position he would take on most issues: the middle one. You might call him “moderate to excess” or “extremely anti-extremist.” I once gave a student an A for a one-sentence essay on Aristotle’s ethics. The assignment was a logical critique of any one Aristotelian idea. The paper’s title was “A Logical Critique of Aristotle’s Doctrine of the Golden Mean.” The sentence was “This is a good idea, but Aristotle carries it to extremes.”

In his epistemology also, Aristotle is a middle-of-the-roader between ration-

alism (Plato, Descartes) and empiricism (the Sophists, Hume).

The same is true of his anthropology: man is neither a soul nor a body but both, a “psychosomatic unity,” to use modern terminology.

And both his anthropology and his epistemology follow from his metaphysics, which accepts Plato’s immaterial Ideas but not their “separation” from material things. Aristotle makes them the forms (nature) of material things. Neither matter nor form is the whole story.

This penchant for the “golden mean” is also Aristotle’s key to defining each virtue. Courage, for example, is a mean between cowardice (too much fear) and foolhardiness (too little). Modesty is a mean between shyness and exhibitionism. Temperance, or moderation, is a mean between overindulgence in sensory passions and pleasures and insensitivity to them. Justice is a mean between giving and receiving either more or less than is due. Righteous indignation is a mean

between a too-cool and too-hot temper. Wit is a mean between buffoonery and humorlessness. Generosity is a mean between stinginess and irresponsible prodigality. “Proper pride” is a reasonable assessment of yourself, a mean between undue humility (denying your virtues) and arrogance (denying your vices). (Aristotle never spoke of religious pride or humility as personal attitudes toward God; he was a monotheist, but a deist. His God was the distant first cause, not the God of religious relationships.)

Each virtue regulates the behavior of the body or the emotions—i.e., actions and passions. These are the matter, or raw material, of virtue. Ethics is like art, shaping and forming the raw material into a beautiful finished product. The form is always the “golden mean” between the two extremes of too much and too little. (This principle regulates the arts too—e.g., stories should not be too long or too short, music should not be too loud or too soft,

etc.) The only virtue that is not moderated in this way is moderation itself.

This is not terribly exciting. But it is terribly practical and realistic.

Two principles were inscribed over the door of the temple to Apollo at Delphi (the “Delphic oracle”). One of them was “Know thyself,” which was the key to Socrates’ and Plato’s ethics. The other was “Nothing too much,” which was the key to Aristotle’s.

Plato comes to a point; Aristotle is well-rounded. Perhaps the soul, as well as the body, needs to be both. Aristotle always prefers both/and to either/or, so perhaps the most complete ethic would be a both/and of Aristotle’s “both/and” and Plato’s “either/or,” a joining of Plato’s “romantic” extremism and idealism with Aristotle’s “classical” moderation and realism. Perhaps life demands a dash of wildness, as some food demands a dash of hot spices. Perhaps the complete balance is between balance and imbalance. Or, in the words of an old popular song, “We’re

never gonna survive, unless we get a little crazy.” (I think I hear Aristotle muttering, “Oh well, okay, but just a little.”)

**METAPHYSICS AND
ANTHROPOLOGY
AS THE BASIS FOR ETHICS**

The idea of the “golden mean” may be the most *distinctively* Aristotelian idea in ethics, but the ethical idea that is certainly the most *important* in Aristotle, at least for our time and our culture, is the *least* distinctive ethical idea in Aristotle because it is one that he shared with almost all other ethical thinkers (except for the Sophists) in all cultures up until our own. It is the idea of “natural law” (though Aristotle never called it that): the idea that ethics is not merely a set of laws or rules or ideals that stand by themselves, but that ethics, the science of the good for human beings, depends on what human beings are, what their essential nature is, and what the natural needs of that nature are. (These include not only bodily needs like life, health, and property

but also needs of the soul, such as knowledge, understanding, and friendship.)

This, in turn, depends on metaphysics. For what *human nature* is depends on what is. If matter is the only thing that is real, then the body is the only thing that we are, and therefore bodily goods like health and pleasure are the only goods. If spirit is the only thing that is real, then the body is an illusion and our nature and our needs are merely spiritual. If both are real but separate and unrelated, then our body and soul are two entities that have nothing in common in either their nature or their needs, like a ghost in a machine. Finally, if both matter and spirit are real and related as two dimensions of one human substance or one human nature rather than two, then the ethics of Aristotle follows: that we have both bodily and spiritual natures, needs, and goods, and they are somewhat interdependent.

What is distinctively modern is not any one of these four options but the idea that one's ethics need not and should not

depend on one's philosophical anthropology and certainly not on one's metaphysics—because most modern philosophers have been suspicious about the possibility of metaphysics, especially since the skeptical critiques of Hume and Kant. By typically modern standards, typically premodern ethics is naïve and rests on unprovable metaphysical foundations. It is too “thick.” By typically premodern standards, typically modern ethics is too “thin” and lacking a foundation in reality.

“NATURAL LAW”

Aristotle never used the term “natural law,” but later thinkers like Thomas Aquinas developed a “natural law ethic” based on Aristotelian metaphysics.

Natural *physical* laws like gravity describe what does in fact happen in the physical world; natural *moral* laws prescribe what ought to happen in the world of human moral choices.

The idea of natural law presupposes:

1. that the same essential “human na-

- ture” exists in all human beings;
2. that this human nature has natural ends;
 3. that this is a standard for morality —i.e., that acts are good insofar as they respect and perfect this human nature and its natural ends and needs, and evil insofar as they disrespect, pervert, or harm it. Thus, killing, lying, stealing, and adultery are wrong by nature because life, knowledge of truth, private property, and stable families are good by nature; they are objectively real needs, not just subjectively felt wants or desires;
 4. that we can know all this by natural reason, in the broad, ancient meaning of “reason”: wisdom, understanding, and insight, not just a high IQ; and
 5. that moral laws are therefore edicts of reason, not just will, so that moral law is objective and discovered by reason, like the laws of

physics or mathematics, not subjective and invented, like the laws of the state or the rules of sports.

The typically modern alternatives to these five assumptions are:

1. nominalism, which denies the objective reality of universals like “human nature”;
2. scientific positivism, which denies that such things as ends or goods, which are not in principle detectable by the scientific method, are objectively real;
3. the absolute distinction between facts and values, or “is” and “ought,” so that nothing that is can be the standard for anything that ought to be;
4. moral skepticism, subjectivism, or relativism; and
5. moral voluntarism or emotivism, the primacy of will or feeling rather than reason in morality.

The two main alternatives to natural law morality in modern Western philosophy are (1) utilitarianism, which says that the only moral standard is subjective pleasure (“happiness” conceived subjectively) and that whatever we foresee will cause the greatest pleasure (happiness) for the greatest number of persons is what is morally good; and (2) Kant’s “categorical imperative” (absolute duty), which is essentially the Golden Rule, to always will and do to others whatever you can rationally will all others to do, since all others are to be respected as ends equal to ourselves, not used as means to our own ends.

Both of these modern systems focus on only one of the three questions we defined as crucial to morality—namely, the question of how to treat other people. They do not address the questions of personal virtue or of the supreme good. In pre-modern societies, if you asked your rulers what your society taught about all three

of these things, you would get an answer; in modern societies, you would not. That fact is surely one of the main reasons why philosophy (in the ancient sense of “the love of wisdom”) is not nearly as important today as in the past, or alternatively, why many modern philosophers no longer claim that philosophy’s task is wisdom, but merely the analysis and clarification of logic and language. The computer has replaced the sage.

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W.D. Ross, *Aristotle* (a more advanced, “packed,” one-volume summary)

A.E. Taylor, *Aristotle* (Aristotle’s Platonism)

Henry B. Veatch, *Rational Man*

Aristotle, *Nicomachean Ethics*

St. Augustine (AD 354–430): Love and the Heart

The contrast between Augustine and the Stoics is very sharp. For Augustine himself, personally, and for Augustine's philosophical psychology and ethics, the heart and its loves are not to be suppressed but perfected, for the heart is the central thing. Whether the "heart" is taken to mean the seat of the emotions or the will, the heart is what loves. And for Augustine, as for Solomon in the Proverbs, the fundamental ethical wisdom is to "keep thy heart with all diligence, for out of it

are all the issues of life.” Augustine wrote, “Pondus meum amor meus”—my love is my weight, my gravity, my destiny. I move where my loves move. A materialist (like Epicurus) says, “You are what you eat.” All evil is pain, or disordered “stuff.” A rationalist (like Plato) says, “You are what you think.” All evil is ignorance, or disordered thought. A lover (like Augustine) says, “You are what you love.” All evil is disordered love. Medieval statues of Augustine always show him with an open Bible in one hand and a burning heart in the other.

For Augustine, in the last analysis there are only two fundamental ethical options because there are only two fundamentally different loves, and thus two kinds of people. The basic theme of his classic *The City of God* is that two loves have made two (invisible) cities (communities): the love of God to the rejection of one’s self (of egotism) has made the City of God; the love of self to the rejection of God has made the City of Man. These two op-

posite cities have two opposite destinies, heaven and hell. That is the fundamental theme of both world history, which Augustine describes in *The City of God*, and the drama of an individual life, which he describes in the *Confessions*.

The *Confessions* is much shorter, easier, and more dramatic than *The City of God*. In fact, it is one of the most popular Christian books ever written, next to the Bible. And its fundamental theme, the lesson of Augustine's life, is the most oft-quoted Christian sentence outside the Bible: "Thou [God] hast made us for thyself, and [therefore] our hearts are restless until they rest in thee." This is not just piety; it is reasoning and argument. The evidence, available to everyone, is the restlessness and dissatisfaction of the human heart. We all have a "lover's quarrel with the world." It is good, but it is not enough. On the one hand, our happiness is shallow and limited and transient; on the other hand, we want it to be deep and unlimited and forever. That is the double

evidence. And Augustine offers the Christian story—the perfect God designing and creating man perfect and then man freely falling from that state into sin (alienation from God) and consequent misery—as the only adequate theoretical explanation of that double evidence, and Christ and the reconnection with God as the only adequate practical solution.

This is religion, of course, but it is also philosophy and rational argument. In fact, it is basic scientific method: testing the hypothesis or theory (Christianity) by its ability to explain the evidence (the universal human experience of the “restless heart,” or “You can’t always get what you want”). And it is ethics, for it offers God (through Christ) as the only adequate answer to the first and most important ethical question of the *summum bonum* or supreme good.

Along the way, in the *Confessions*, Augustine also addresses classic philosophical problems like how finite man can conceive an infinite God, how a good God can

allow evil, fate and free will, the nature of time, and moral relativism. Augustine does not sharply separate faith and reason, religion and philosophy. He is an intensely practical philosopher: though he is an intellectual genius, he is not much concerned with method (which is only the road or the roadmap) but always with truth and joy, which is the home at the end of the road and how to actually get there. Augustine is a saint, but not a plaster saint. He has a heartbeat, and he spills his blood as well as his mind onto his pages.

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Ethics

**THE ROLE OF FAITH AND
REASON IN ETHICS**

Aquinas is a very large philosopher, intellectually as well as physically. He was too fat and too sympathetic to animals to ride donkeys, as most of his fellow monks did, so he walked between Italy and Paris many times. Like Aristotle, he has something to say about nearly everything, and, like Aristotle, it is usually a commonsensical middle position between two extremes.

Ethics is part of philosophy, but it is also part of religion. Aquinas, more than anyone else, is famous for a synthesis of philosophy and religion, of reason and faith, which could fairly be called the central task of the medieval mind.

The issue of the relation between them is put in Plato's dialogue *Euthyphro*, where Socrates asks Euthyphro whether an act is good because the gods will it, or love it, or are pleased by it, or whether the gods love it because it is good. If we substitute "God" for "the gods," we have the same problem. If we say, with Euthyphro, that an act is good only because God wills it,

we are saying that faith, not reason, is the highest standard, since faith rather than reason knows (or claims to know) the will of God. Thus, faith must judge reason, not be judged by it. So faith can be irrational. That is one-half of the dilemma. But if we say, with Socrates, that God wills certain acts (of justice, charity, courage, etc.) because they are good, we are implicitly saying that reason is the highest standard, since reason knows, or claims to know, what is good. Thus, reason must judge faith, not be judged by it. So reason can be irreligious. That is the other half of the dilemma.

There are five possible answers to this dilemma.

1. Euthyphro's answer is faith without reason, religion without philosophy; thus, in ethics, a thing is good only because God (or gods) wills it. Many Muslim thinkers (but not all) hold this, following the ninth-century Ash'arites. Some

Christian thinkers hold this (Tatian, Tertullian, Ockham, Luther) but not most. It is part of what is usually called “fundamentalism.” An obvious problem with Euthyphro’s answer (“the divine command theory”) is that it makes God arbitrary. If God commanded you to hate everyone and forbade you to love anyone, hate would become good and love would become evil.

2. Socrates’ answer seems to be reason without faith, philosophy without religion, or at least religion subordinated to reason. This seems unorthodox for religious Jews, Christians, and Muslims, who believe their faith is a divine revelation from God himself. In making faith subordinate to reason, it seems to make God subordinate to man, if the revelation that is the object of faith is from God’s mind and reason is from man’s mind. This answer makes it seem as if God has to keep

checking whether he is a good God by looking at the Ten Commandments.

3. A third answer is (a) to affirm the validity of both faith, properly understood, and reason, properly used; (b) to affirm that both “go all the way up”; and (c) to say that they never contradict each other because both ultimately come from God, like two books from the same author, who never contradicts himself. For God is the author of both human reason, which he designed as part of “the image of God” in man, and faith—i.e., *the* faith, which he revealed. This is the mainline answer of medieval thinkers, especially Augustine and Aquinas.
4. A fourth possible answer is that of thinkers who deny that either religious faith or philosophical reason can know the true good. Such thinkers include the ancient Sophists and modern atheists like Ma-

chiavelli, Hume, Mill, Nietzsche, and Sartre.

5. A fifth possible answer is simply to separate the two completely and say they are incompatible; to make two separate worlds out of them. This is an easy and convenient way of avoiding the dilemma, but it is unlivable and schizoid. If we are one person, not two, we must live in one reality, not two.

This question is about the epistemological *foundation* of ethics. Aquinas says that *both* natural human reason (and its power of moral conscience, which is an act of reason intuiting good and evil) *and* faith in divine revelation are valid foundations for ethics and that the two partially overlap, so that there are three kinds of moral truths: (1) there are many things in philosophical (rational) ethics that are not part of religious faith (e.g., the morality or immorality of capitalism), (2) there are many things in religious ethics

that are not philosophically knowable by reason (e.g., God's choice to love us), and (3) there are many things that are part of both (e.g., the Golden Rule).

Aquinas also argues that there are not, and cannot be, any contradictions between the two—between faith and reason in general or between the ethics known by faith and the ethics known by reason. And he gives two reasons for this: (1) because truth cannot contradict truth, and (2) because God is the author of both the revealed religion and its morality *and* the human mind's innate power to know truth, including moral truth. He is the author of both of those ethical "books," and he does not ever contradict himself.

That question was about the epistemological basis for ethics. (The basis, for Aquinas, is both faith and reason.) An important consequence for ethics is Aquinas' definition of moral law as an ordinance not of will first of all but of reason, both for God and for man.

FOUR KINDS OF LAW

Aquinas' definition of a "law" has five parts. A law is (1) an ordinance (or command) (2) of (based on) reason (3) for the common good (4) made by the (divine or human) ruler of a community (5) and promulgated (to that community).

There are four kinds of law. Two are supernatural and two are natural, and two are for all times and places while two are not.

1. *Eternal law* is the law in God's eternal mind and will for the life of the whole creation, including the human community. It is goodness itself.
2. *Natural law* is the creature's participation in the eternal law. Subrational creatures do this by their subrational and unfree behavior—thus the laws of physics and of animal instinct. Man, unlike all other known creatures in the universe, is not merely *under* the eternal law but actively participates in it by know-

ing it by reason (conscience) and obeying or disobeying it by a free choice of the will. All men know the primary precepts of the natural (moral) law; they are things we just “can’t not know.”

3. *Divine law* is law that God makes for one people or time but not another —e.g., the civil and liturgical laws for ancient Israel, or God’s call to a prophet.
4. *Human law* is made (or “posited,” thus the modern term for this is “positive law”) by human beings (congresses, kings, CEOs, etc.). They have a human origin and an only-human validity; so since man, unlike God, is fallible, there can be bad human laws. (But this judgment assumes that there is at least one higher kind of law that is the standard for that judgment.)

We have a moral obligation to obey all human laws that are not bad ones for the

sake of the common good. We also have an obligation to disobey bad human laws that contradict any one of the three kinds of higher law and to try to change bad laws into good ones. Thus, it is only the belief in some higher law than human law that justifies protest, rebellion, and sometimes even tyrannicide. Without such a belief one must either be a stick-in-the-mud conservative or a rebel whose only justification is might, not right.

Note that (1) and (3) are supernatural, but (2) and (4) are not, and that (1) and (2) are unchangeable, but (3) and (4) are not. Eternal law is supernatural and unchangeable; natural law is natural and unchangeable; divine law is supernatural and changeable; and human law is natural and changeable.

WHAT IS A GOOD PERSON? THE VIRTUES

Aquinas' answer to this question is not original, but part of the common tradition from Plato and the Bible onward. The seven foundational virtues are wis-

dom, courage, moderation, justice, faith, hope, and charity.

Virtues are good habits; vices are bad habits. The total package of virtues and vices make up a person's moral character. Wisdom, courage, moderation, and justice are the "four cardinal virtues" on the natural level. And faith, hope, and charity are the three "theological virtues"; because both their object and their origin is God, they are the supernatural virtues.

Wisdom, or prudence, is the moral virtue that is also an intellectual virtue, a good habit of thought. It is the habit of judging rightly about good and evil human acts. Without it, no virtue is rational; without light, nothing is seen.

Courage, or fortitude, is necessary to practice any virtue. It fights against all obstacles to the good despite personal sufferings.

Moderation, or temperance, or self-control, is the virtue that most clearly distinguishes civilization from barbarism. It consists in subjecting the passions to

reason and not allowing any one passion to rage without limit. Like Aristotle, Aquinas rejects both Stoicism, which views passions as intrinsically bad, and Epicureanism, which views them as intrinsically good. They are raw material to be formed by wise reason and courageous will.

Justice is to do what is right, or fair, and gives each person and each power in oneself what is due to him, her, or it.

Faith, hope, and charity are the three powers of the soul responding to God. Faith is the mind's adherence, through belief, to all the truths God has revealed on the reasonable grounds that God can neither be deceived nor deceive. Hope is the desires' adherence to God's promises. It is faith directed to the future. Charity is the will's adherence to God's will, which is love: "You shall love the Lord your God with all your heart . . . [and] your neighbor as yourself" (Mark 12:30–31). (Love is essentially an act of will, not a feeling; that is why it can be commanded.)

Each of these virtues has an obvious opposite vice. The opposite of wisdom is folly, which is theoretical but also practical error. The opposite of courage is cowardice (but also foolhardiness). The opposite of temperance is intemperance (addiction to anger, lust, or greed). The opposite of justice is injustice. (Mercy is not unjust but presupposes justice in going beyond it.) The opposite of faith is deliberate unbelief. The opposite of hope is despair, and also presumption. The opposite of love is hate, but the most common opposite of love is indifference (“sloth”).

These are not the only virtues and vices or even the only essential ones. Honesty, for example, is an essential natural virtue, and dishonesty (especially with oneself) an intolerable vice; and humility (before God) is an essential supernatural virtue, and pride (arrogance) an intolerable vice. But these seven are the essential virtues that perfect the three essential human

powers that distinguish us from animals: the intellect, the will, and the passions.

EIGHT CANDIDATES FOR THE GREATEST GOOD

Ethics is most fundamentally about good and evil. Evil is relative to good (as its opposite, its enemy, its deprivation), not vice versa. So the greatest question in ethics is the question of what is the greatest good.

Philosophers, like ordinary, sane people, have come up with pretty much the same alternative answers to that question in all times, places, and cultures.

Aquinas' summary of eight of those answers, while not complete (he does not include political activity or human love and friendship as separate answers), considers most of the most popular of these answers in order. (His order is from the worst answer to the best.) They are wealth, honor, fame or glory, power, bodily goods (health), pleasure, goods of the soul (wisdom and virtue), and God.

Aquinas first establishes that Aristotle is right to call our supreme

end “happiness” (*eudaimonia*—i.e., blessedness, not mere contentment). He then asks which of these goods gives us happiness. (They are all *goods*, but there can be only one greatest good.)

1. Wealth (money) is only a means (a “means of exchange”), not an end; and the things money can buy are also means to our happiness, not happiness itself.
2. Honor is external to us; it is in the one honoring. And it is given to us only because of some other good for which we are honored.
3. Human fame or glory is similar. It consists in other people’s knowledge of us, and this is the effect, not the cause, of our good. It is not, like God’s knowledge, creative of its object.
4. Power is a means, not an end; it can be used for good or evil; and it is corruptible. (The same could be said about “freedom,” which is similar to

power.)

5. Bodily goods (primarily health) do not raise us above animals. In fact, some animal surpasses us in every bodily good. But no animal surpasses us in happiness (or in unhappiness).
6. Pleasure is indeed sought as an end, but it comes only as an effect of the presence of some good that pleases us. It does not answer the question of the identity of that good.
7. Goods of the soul (wisdom and virtue) are higher, but they are still only like a road rather than a destination, since the soul, like the body, is in time and always growing toward an end. It can no more be its own end than a runner can be his own goal line or an arrow its own target.
8. In the end, no finite, temporal, created good can satisfy our thirst for perfect happiness. We seek the universal good, which transcends all partial and particular goods. And

this is nowhere in this world; it is either nowhere or in the perfect good, which is a description of God alone.

But if “no natural desire is in vain,” if we do not have natural desires for nonexistent objects, and if we have a natural desire for the perfect good, for perfect happiness, then this good must exist.

So parallel to Aquinas’ famous arguments for God as first cause (the argument that nothing less suffices to account for the existence of the universe), he gives us an argument for God as our last end, and it is the same argument: that nothing less suffices. “Our hearts are restless until they rest in thee.”

There is much more detail and many more issues in Aquinas’ ethics, but these are four of the most basic ones.

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Immanuel Kant (AD 1724–1804): A Non- Metaphysical Moral Absolutism

For everyone, whether they are philosophers or not, there are two essential ethical options.

One view, which is the majority view in premodern cultures, is that there is an objective order of moral values, goods, ends, virtues, duties, etc., and we are

good if and only if we obey them, conform to them. Our freedom, our choice, our power, our pleasure, our peace, our satisfaction, and our happiness are not the greatest good; they must be curbed by and conform to the already existing objective moral order of goods, or moral law, which is unchangeable in its essence and is not made by us or alterable by us any more than the truths of the multiplication table or the laws of physics are. Thus, morality is absolute, at least in its essential principles (or, for Kant, perhaps only its one essential principle), though not, of course, in its many changing applications. We could call this “objective morality.”

The other view, which is more typically modern, is that we ourselves are the greatest good; our goodness, freedom, power, pleasure, peace, satisfaction, or happiness is the absolute and is not to be conformed to or limited by anything greater because there *is* nothing greater. Thus, morality is relative to us, to our reason or beliefs or will or feelings or de-

sires. We could call this “subjective morality.”

One of the many reasons why Kant is the single most important ethical philosopher of modern times is that he combined these two options by offering a morality whose essential definition of the good is duty rather than pleasure and thus is a kind of objective moral absolutism, but one which also identifies the good as personal freedom and autonomy, which is typically modern, rather than as conformity and obedience to any metaphysical order or objective truth, which Kant, for epistemological reasons, believed we could not know. In fact, Kant is in a way even more skeptical than Hume in his epistemology, for Hume at least believed we could know objective reality, or “things in themselves” as Hume called them, with probability, though not with certainty, while Kant believed we could not know them at all.

His most influential moral work is titled *Grounding for the Metaphysics of Morals*. This is a misleading title for two reasons.

First, he does not ground his moral philosophy in metaphysics, anthropology, psychology, or religion, but presents a moral philosophy that is self-grounded, in that it attempts to show that morality is logically self-evident—that all moral evil is irrational, in fact logically self-contradictory. For Kant, the essential law of morality is like the essential law of logic, the law of noncontradiction. (This will become evident in his first formulation of what he calls “the categorical imperative,” below.)

Second, it is not a metaphysical system at all in the traditional sense of metaphysics—i.e., a philosophy of being; for the basic point of Kant’s epistemology, which he calls his “Copernican Revolution in philosophy” and which he summarizes in his *Critique of Pure Reason* (probably the single most important book of philosophy in the last seven hundred years), is that

traditional, objective metaphysics is impossible because we cannot know “things in themselves,” only things as they appear to our actively structuring consciousness. We cannot x-ray appearances to find objective reality behind or within them, because all meaning, form, order, or structure comes not *to* us from objective reality but *from* us, from our consciousness. This occurs on what we would today call an unconscious level, but in a way that is both universal (the same for all men) and necessary (so that we have no alternatives).

These actively imposed structures are threefold. They are, first, the essential forms of sense perception, which are space and time. We cannot sense or even imagine anything nonspatial or nontemporal. But that does not mean, for Kant, that the real world actually is spatial and temporal, only that that is the way we have to perceive it.

Second, our concepts are structured by twelve essential logical categories, includ-

ing substance and accident, cause and effect, necessity and contingency. But these, too, are not objective realities or “things in themselves.” They are like cookie cutters in our consciousness that are the forms we impose on the otherwise formless cookie dough of our experience.

Third, we cannot help classifying everything according to the three essential “ideas of pure reason”: the ideas of a world (the unity of all phenomena), a self (the unity of all our consciousness), and God (the absolute unifier of self and world). But this is only our necessary way of classifying. None of these can be known (as distinct from being *believed*) to be objectively real, according to Kant; they are constructs of our own consciousness.

This anti-metaphysical epistemology makes impossible an ethics based on metaphysics. Goodness, like being, is our *construct*.

But it can be *rational* (i.e., logical).

Kant begins his ethics by identifying the only good-in-itself as a good will. All

other goods—goods of the body, the intellect, and the emotions—are good only when rightly used by a morally right will. Qualities like intelligence, resolution, and happiness, and gifts of good fortune like long life, health, wealth, and power or influence, are not good in themselves, for they can be used for evil by the evil will of a moral monster like Hitler. Think of the self as a ship. The will is the captain of the ship. The intellect is only the navigator, the passions are only the sailors, and the body is only the planks of the ship.

Next, he defines a good will as one that is motivated by moral duty—i.e., respect for moral law. (This is what makes him similar to the Stoics.) That is his answer to the question: What makes a human act morally right?

What makes a human act right is not that it makes you happy and content by satisfying all your desires, as a hedonist would say.

Nor is it that it is appropriate to your situation or circumstances, as a moral relativist would say.

Nor is it that its consequences are desirable, as a utilitarian (see chapter 23) would say—a good end does not justify an evil means.

Nor is it that it obeys a list of the objectively right things rather than wrong things to do (e.g., the Ten Commandments), or that it obeys the will of God, as most religious thinkers would say.

Nor is it that it comes from a virtuous person or makes you into a virtuous person, as an Aristotelian would say.

Nor is it that it is the means to the ultimate end or “greatest good” or goal or purpose or “final cause” or “meaning of life,” as Aquinas would say.

What makes a good will good is simply the subjective, personal motive in the will of the actor, and Kant will say that the only moral motive is the motive of moral duty.

Duty is respect for moral law as such, not simply obedience to your social superiors or the desired consequences of obedience, such as happiness.

Kant begins with this premise: the only thing good in itself is a good will. Add to that premise his second premise, that what makes a will good is its moral motive, and you get Kant's conclusion: morality is simply a matter of motive. Doing the right *thing* is not the essence of morality; you must do it for the right *reason* (motive). As St. Thomas Becket says in T.S. Eliot's play *Murder in the Cathedral* when he is tempted to be a martyr out of pride or love of honor and glory, "The last temptation is the greatest treason / To do the right deed for the wrong reason."

But what is the right motive or reason? There is only one. The only truly moral motive is the motive of duty—i.e., respect and obedience to moral law as such. If the will is the only thing that is good in itself, and if a good will is defined by the right motive, then the right motive is the only

thing that defines the good in itself, or the absolute good.

What moral law is it, then, that makes a moral choice or act good? It is the single “categorical imperative.”

“Imperatives” are commands, and there are two kinds. Hypothetical, or relative, imperatives are expressed with an “if” condition—e.g., if you want to go across the sea, take a boat or a plane; if you want to get an A on the test, study hard. A categorical imperative, by contrast, is unconditional—you absolutely ought to do this and not that. You do it not for consequences or appropriateness or acceptability or happiness (either your own or others’) but simply because it is morally right. Hypothetical imperatives are conditional, pragmatic, instrumental, and not morally absolute. Even the principle of Plato and Aristotle that “if and only if you are moral, you will be happy” is a morally compromised and polluted motive in Kant’s eyes, because it makes morality in-

strumental (a means to the end of happiness) rather than absolute.

Kant assumes the modern, subjective meaning of “happiness” here (contentment, satisfaction of desires) rather than the ancient, objective one. Suffering is the opposite of happiness in the modern meaning of “happiness,” but suffering can be an ingredient in happiness in the ancient meaning of “happiness,” because in that older meaning “happiness” (*eudaimonia*) means perfection or completion of your human nature, and without suffering there is no wisdom, and without wisdom there is no completeness of your humanity.

Kant formulates his single categorical moral imperative in three ways. The first could be called the basic principle of justice, the second the basic principle of charity, and the third the basic principle of freedom.

The first formulation of “the supreme principle of morality” is essentially the Golden Rule, which is clearly known by

not only every religion and every culture but even every human being in the world. Its common formulation is “Do unto others what you want others to do to you.” Kant’s formulation is “Act only according to that maxim [principle] whereby you can at the same time will that it should become a universal law [for all to obey].”

All evil violates this principle. When we hate, kill, steal, or lie, we do not and cannot will that others do the same to us. We make an exception for ourselves: we will that others act morally and refrain from hating, murdering, stealing, or lying, at the very same time as we do that very thing to them. We are thus contradicting ourselves, willing opposite things at the same time.

But although this principle successfully defines all evils, it does not seem to define all goods; for some goods, like choosing marriage, joining the army, or becoming a celibate priest are goods only for some individuals, not all.

The second formulation is to act in such a way that you “treat humanity, whether in your own person or in the person of another, always at the same time as an end and never simply as a means.” We must love our neighbors as ourselves, and the essence of love is not a feeling (for feelings cannot be commanded) but a will, goodwill, “to will the good of the other,” as Aquinas formulates it. So the moral imperative is to use things (as means) and love people (as ends), not vice versa.

This second formulation can be deduced from the first because we all want to be loved in this essential way, valued for our own sake, not treated merely as instruments; that is why we must do the same to others.

The third formulation is much more controversial. Kant calls it the formula of “autonomy.” It is “always to act so that the will could regard itself at the same time as making universal [moral] law.” For Kant, true morality cannot originate in another’s will, not even a divine Other—that

would be “heteronomy,” literally “norms from another.” Morality must be “autonomous”—i.e., from our own will.

Kant was not an atheist, but (to translate his philosophical point into religious language) he might say that at the Last Judgment we will see ourselves, not God, on the throne. In light of perfect reason, the distinction between our will and God’s disappears. For the last and perfect judgment must be by perfect moral reason, and when we judge by reason we judge ourselves by our own participation in eternal, perfect reason. (Perhaps this could be seen as the deeper meaning of “conscience.”)

From this third formulation of the categorical imperative, Kant deduces the necessity of free will. If (premise one) there is a categorical imperative, or an absolute “ought”; and if (premise two) “ought implies can” (we do not command machines, or even irrational animals, or judge them morally, or hold them morally respon-

sible); then (conclusion) free will is also absolutely necessary for morality.

Kant also attempts to deduce the moral necessity of a morally perfect God (otherwise the demand for moral perfection is never met and is a mere abstract ideal, not a reality).

He also attempts to deduce the moral necessity for a perfect justice after death (since perfect justice does not exist in this life), and therefore the reality of immortality, or life after death.

Thus, God, free will, and immortality are proven morally rather than metaphysically, practically rather than theoretically. Kant is skeptical of our ability to prove that they are objectively, factually true, but he believes that we can prove that they are morally necessary.

Kant and Aristotle are the two most influential ethical philosophers in history. Perhaps the most concrete difference between the two moral philosophies could be laid out in this example. Imagine a saint (e.g., St. Francis of Assisi) and a

notorious sinner (e.g., Al Capone) both choosing to do the right thing (e.g., finding but not keeping someone else's lost wallet containing a fortune). Is there more moral goodness in the right act of the great saint, who makes the right choice easily and habitually and with joy, or in the right act of the great sinner, who makes it with difficulty and painfully, because for him it is purely an act of will since he is tempted by his bad habits? There seems to be a point to both answers.

Some of the most common and most commonsensical objections to Kant are:

1. that he makes no room for moral *habits*—i.e., personal virtues;
2. that he makes no room for emotions or instincts, especially compassion, generosity, gratitude, etc., which almost everyone judges are important aspects of morality;
3. that his moral absolute, duty, should be really only a kind of last resort when higher motives fail. We

- all judge a mother who does good to her children out of love as a morally better, more complete person than one who does that only out of duty;
4. that if all morality is a matter of duty, what becomes of heroic actions “beyond the call of duty”? Are they not moral? Or is everyone except a hero immoral?
 5. that his moral absolutism and rigorism—and this is perhaps the most common objection to Kant—are too demanding for us; that we need non-moral inducements rather than purely moral ones to effectively motivate us. Kant would reply that this is unduly cynical, that everyone responds with admiration to a pure motive, and that we should not teach morality by non-moral bribes to anyone, not even small children. We all have a moral conscience, and it should be respected, not patronized.

S E L E C T E D B I B L I O G R A P H Y

Peter Kreeft, *Socrates Meets Kant*

Immanuel Kant, *Grounding for the Meta-
physics of Morals*

John Stuart Mill (AD 1806–1873): Utilitarianism

Mill's utilitarianism is probably the most influential ethical philosophy in contemporary America.

The most attractive feature of his ethical system is its simplicity. To summarize his whole “bottom line” in three points:

1. Mill identifies a morally good act as one that will produce the best consequences. He is a consequentialist.
2. He identifies the best consequences with “the greatest happiness for the

greatest number [of people].” That is his supreme principle of morality, in fact the only one.

3. And he identifies happiness with pleasure. He is a hedonist.

Thus, the three main objections to Mill are the following:

1. This “the end justifies the means” principle is relativistic and seems to justify many things that common sense sees as intrinsically evil—e.g., cannibalism. In a room containing ninety-nine cannibals and one non-cannibal, the greatest happiness for the greatest number would be for the ninety-nine to kill and eat the one.
2. There seems to be no justification for the leap from egotism to altruism. Why should I act for others’ happiness and not just for my own? If the only reason is that it makes me happier to do so, my motive then

remains as egotistic as before.

3. His hedonism (identifying “good” with pleasure) is not merely a shallow ethics but no ethics at all. Pleasure cannot be the supreme good because it is often a temptation, but virtue is not, and choosing virtue over pleasure is almost the essence of morality. And his psychology of happiness seems as shallow as his ethics, for true happiness requires moral virtue. Success in finding pleasure is not the same as true happiness. Evil, selfish tyrants are not really happy even if they are successful and pleased.

His defenses of his three points are the following:

1. To the charge of relativism, Mill would cheerfully admit that he is a moral relativist, not a moral absolutist like Kant; but he would argue that his distinction between higher

and lower pleasures answers the objection from the example of cannibalism, because altruism, love, and cooperation give a higher, more human kind of pleasure to all concerned than mere animal eating.

2. Mill clearly teaches altruism rather than egotism. His justification for this is simply that others' happiness is just as real as one's own. But this presupposes another moral principle—namely, justice. And this brings in another principle than hedonism, for pleasure is always subjective, personal, and individual, while justice is objective, impersonal, and universal. The obvious reason we should not scorn others' happiness and seek only our own is that it is not right, not fair, not just, not true that we and our happiness are more important than others'.
3. And Mill argues that his hedonism is not low, shallow, and animalistic because, unlike his prede-

cessor who invented utilitarianism, Jeremy Bentham, Mill distinguishes qualitatively “higher” pleasures from “lower” ones.

But this means that there must be some higher standard than pleasure with which to judge different pleasures as “higher” or “lower,” and therefore it is this rather than pleasure that is the highest good and the highest standard; and this abandons hedonism, which says that pleasure itself is the highest good. Bentham was a more consistent hedonist than Mill.

So Mill’s ethical common sense seems to outrun his philosophical principles. This gives Mill himself high marks but his principles low ones.

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tal right to liberty—the right to do whatever we want with the things we own, provided we respect other people's rights to do the same.

The Minimal State

If the libertarian theory of rights is correct, then many activities of the modern state are illegitimate, and violations of liberty. Only a minimal state—one that enforces contracts, protects private property from theft, and keeps the peace—is compatible with the libertarian theory of rights. Any state that does more than this is morally unjustified.

The libertarian rejects three types of policies and laws that modern states commonly enact:

1. No Paternalism. Libertarians oppose laws to protect people from harming themselves. Seatbelt laws are a good example; so are motorcycle helmet laws. Even if riding a motorcycle without a helmet is reckless, and even if helmet laws save lives and prevent devastating injuries, libertarians argue that such laws violate the right of the individual to decide what risks to assume. As long as no third parties are harmed, and as long as motorcycle riders are responsible for their own medical bills, the state has no right to dictate what risks they may take with their bodies and lives.

2. No Morals Legislation. Libertarians oppose using the coercive force of law to promote notions of virtue or to express the moral convictions of the majority. Prostitution may be morally objectionable to many people, but that does not justify laws that prevent consenting adults from engaging in it. Majorities in some communities may disapprove of homosexuality, but that does not justify laws that deprive gay men and lesbians of the right to choose their sexual partners for themselves.

3. No Redistribution of Income or Wealth. The libertarian theory of rights rules out any law that requires some people to help others, including taxation for redistribution of wealth. Desirable though it may be for the affluent to support the less fortunate—by subsidizing

their health care or housing or education—such help should be left up to the individual to undertake, not mandated by the government. According to the libertarian, redistributive taxes are a form of coercion, even theft. The state has no more right to force affluent taxpayers to support social programs for the poor than a benevolent thief has the right to steal money from a rich person and give it to the homeless.

The libertarian philosophy does not map neatly onto the political spectrum. Conservatives who favor laissez-faire economic policies often part company with libertarians on cultural issues such as school prayer, abortion, and restrictions on pornography. And many proponents of the welfare state hold libertarian views on issues such as gay rights, reproductive rights, freedom of speech, and the separation of church and state.

During the 1980s, libertarian ideas found prominent expression in the pro-market, antigovernment rhetoric of Ronald Reagan and Margaret Thatcher. As an intellectual doctrine, libertarianism emerged earlier, in opposition to the welfare state. In *The Constitution of Liberty* (1960), the Austrian-born economist-philosopher Friedrich A. Hayek (1899–1992) argued that any attempt to bring about greater economic equality was bound to be coercive and destructive of a free society.³ In *Capitalism and Freedom* (1962), the American economist Milton Friedman (1912–2006) argued that many widely accepted state activities are illegitimate infringements on individual freedom. Social Security, or any mandatory, government-run retirement program, is one of his prime examples: “If a man knowingly prefers to live for today, to use his resources for current enjoyment, deliberately choosing a penurious old age, by what right do we prevent him from doing so?” Friedman asks. We might urge such a person to save for his retirement, “but are we entitled to use coercion to prevent him from doing what he chooses to do?”⁴

Friedman objects to minimum wage laws on similar grounds. Government has no right to prevent employers from paying any wage, however low, that workers are prepared to accept. The government

also violates individual freedom when it makes laws against employment discrimination. If employers want to discriminate on the basis of race, religion, or any other factor, the state has no right to prevent them from doing so. In Friedman's view, "such legislation clearly involves interference with the freedom of individuals to enter into voluntary contracts with one another."⁵

Occupational licensing requirements also wrongly interfere with freedom of choice. If an untrained barber wants to offer his less-than-expert services to the public, and if some customers are willing to take their chances on a cheap haircut, the state has no business forbidding the transaction. Friedman extends this logic even to physicians. If I want a bargain appendectomy, I should be free to hire anyone I choose, certified or not, to do the job. While it is true that most people want assurance of their doctor's competence, the market can provide such information. Instead of relying on state licensing of doctors, Friedman suggests, patients can use private rating services such as *Consumer Reports* or the *Good Housekeeping* seal of approval.⁶

Free-Market Philosophy

In *Anarchy, State and Utopia* (1974), Robert Nozick offers a philosophical defense of libertarian principles and a challenge to familiar ideas of distributive justice. He begins with the claim that individuals have rights "so strong and far-reaching" that "they raise the question of what, if anything, the state may do." He concludes that "only a minimal state, limited to enforcing contracts and protecting people against force, theft, and fraud, is justified. Any more extensive state violates persons' rights not to be forced to do certain things, and is unjustified."⁷

Prominent among the things that no one should be forced to do is help other people. Taxing the rich to help the poor coerces the rich. It violates their right to do what they want with the things they own.

According to Nozick, there is nothing wrong with economic inequality as such. Simply knowing that the Forbes 400 have billions

while others are penniless doesn't enable you to conclude anything about the justice or injustice of the arrangement. Nozick rejects the idea that a just distribution consists of a certain pattern—such as equal income, or equal utility, or equal provision of basic needs. What matters is how the distribution came about.

Nozick rejects patterned theories of justice in favor of those that honor the choices people make in free markets. He argues that distributive justice depends on two requirements—justice in initial holdings and justice in transfer.⁸

The first asks if the resources you used to make your money were legitimately yours in the first place. (If you made a fortune selling stolen goods, you would not be entitled to the proceeds.) The second asks if you made your money either through free exchanges in the marketplace or from gifts voluntarily bestowed upon you by others. If the answer to both questions is yes, you are entitled to what you have, and the state may not take it without your consent. Provided no one starts out with ill-gotten gains, any distribution that results from a free market is just, however equal or unequal it turns out to be.

Nozick concedes that it is not easy to determine whether the initial holdings that gave rise to today's economic positions were themselves just or ill-gotten. How can we know to what extent today's distribution of income and wealth reflects illegitimate seizures of land or other assets through force, theft, or fraud generations ago? If it can be shown that those who have landed on top are the beneficiaries of past injustices—such as the enslavement of African Americans or the expropriation of Native Americans—then, according to Nozick, a case can be made for remedying the injustice through taxation, reparations, or other means. But it is important to notice that these measures are for the sake of redressing past wrongs, not for the sake of bringing about greater equality for its own sake.

Nozick illustrates the folly (as he sees it) of redistribution with a hypothetical example about the basketball great Wilt Chamberlain, whose salary in the early 1970s reached the then lofty sum of \$200,000

per season. Since Michael Jordan is the iconic basketball star of recent times, we can update Nozick's example with Jordan, who in his last year with the Chicago Bulls was paid \$31 million—more per game than Chamberlain made in a season.

Michael Jordan's Money

To set aside any question about initial holdings, let's imagine, Nozick suggests, that you set the initial distribution of income and wealth according to whatever pattern you consider just—a perfectly equal distribution, if you like. Now the basketball season begins. Those who want to see Michael Jordan play deposit five dollars in a box each time they buy a ticket. The proceeds in the box go to Jordan. (In real life, of course, Jordan's salary is paid by the owners, from team revenues. Nozick's simplifying assumption—that the fans pay Jordan directly—is a way of focusing on the philosophical point about voluntary exchange.)

Since many people are eager to see Jordan play, attendance is high and the box becomes full. By the end of the season, Jordan has \$31 million, far more than anyone else. As a result, the initial distribution—the one you consider just—no longer obtains. Jordan has more and others less. But the new distribution arose through wholly voluntary choices. Who has grounds for complaint? Not those who paid to see Jordan play; they freely chose to buy tickets. Not those who dislike basketball and stayed at home; they didn't spend a penny on Jordan, and are no worse off than before. Surely not Jordan; he chose to play basketball in exchange for a handsome income.⁹

Nozick believes this scenario illustrates two problems with patterned theories of distributive justice. First, liberty upsets patterns. Anyone who believes that economic inequality is unjust will have to intervene in the free market, repeatedly and continuously, to undo the effects of the choices people make. Second, intervening in this way—taxing Jordan to support programs that help the disadvantaged—not

only overturns the results of voluntary transactions; it also violates Jordan's rights by taking his earnings. It forces him, in effect, to make a charitable contribution against his will.

What exactly is wrong with taxing Jordan's earnings? According to Nozick, the moral stakes go beyond money. At issue, he believes, is nothing less than human freedom. He reasons as follows: "Taxation of earnings from labor is on a par with forced labor."¹⁰ If the state has the right to claim some portion of my earnings, it also has the right to claim some portion of my time. Instead of taking, say, 30 percent of my income, it might just as well direct me to spend 30 percent of my time working for the state. But if the state can force me to labor on its behalf, it essentially asserts a property right in me.

Seizing the results of someone's labor is equivalent to seizing hours from him and directing him to carry on various activities. If people force you to do certain work, or unrewarded work, for a certain period of time, they decide what you are to do and what purposes your work is to serve apart from your decisions. This . . . makes them a part-owner of you; it gives them a property right in you.¹¹

This line of reasoning takes us to the moral crux of the libertarian claim—the idea of self-ownership. If I own myself, I must own my labor. (If someone else could order me to work, that person would be my master, and I would be a slave.) But if I own my labor, I must be entitled to the fruits of my labor. (If someone else were entitled to my earnings, that person would own my labor and would therefore own me.) That is why, according to Nozick, taxing some of Michael Jordan's \$31 million to help the poor violates his rights. It asserts, in effect, that the state, or the community, is a part owner of him.

The libertarian sees a moral continuity from taxation (taking my earnings) to forced labor (taking my labor) to slavery (denying that I own myself):

Self-Ownership	Taking
person	slavery
labor	forced labor
fruits of labor	taxation

Of course, even the most steeply progressive income tax does not claim 100 percent of anyone's income. So the government does not claim to own its taxpaying citizens entirely. But Nozick maintains that it does claim to own part of us—whatever part corresponds to the portion of income we must pay to support causes beyond the minimal state.

Do We Own Ourselves?

When, in 1993, Michael Jordan announced his retirement from basketball, Chicago Bulls fans were bereft. He would later come out of retirement and lead the Bulls to three more championships. But suppose that, in 1993, the Chicago City Council, or, for that matter, Congress, sought to ease the distress of Chicago Bulls fans by voting to require Jordan to play basketball for one-third of the next season. Most people would consider such a law unjust, a violation of Jordan's liberty. But if Congress may not force Jordan to return to the basketball court (for even a third of the season), by what right does it force him to give up one-third of the money he makes playing basketball?

Those who favor the redistribution of income through taxation offer various objections to the libertarian logic. Most of these objections can be answered.

Objection 1: Taxation is not as bad as forced labor.

If you are taxed, you can always choose to work less and pay lower taxes; but if you are forced to labor, you have no such choice.

Libertarian reply: Well, yes. But why should the state force you to

an obligation, there must have been an agreement—some act of consent. It overlooks the possibility that obligation can arise without consent. If Sam had fixed my car, I would have owed him in the name of reciprocity. Simply thanking him and driving off would have been unfair. But this doesn't imply that I had hired him.

When I tell this story to my students, most agree that, under the circumstances, I didn't owe Sam the fifty dollars. But many hold this view for reasons different from mine. They argue that, since I didn't explicitly hire Sam, I owed him nothing—and would have owed him nothing even if he had fixed my car. Any payment would have been an act of generosity—a gratuity, not a duty. So they come to my defense, not by embracing my expansive view of obligation, but by asserting a stringent view of consent.

Despite our tendency to read consent into every moral claim, it is hard to make sense of our moral lives without acknowledging the independent weight of reciprocity. Consider a marriage contract. Suppose I discover, after twenty years of faithfulness on my part, that my wife has been seeing another man. I would have two different grounds for moral outrage. One invokes consent: "But we had an agreement. You made a vow. You broke your promise." The second would invoke reciprocity: "But I've been so faithful for my part. Surely I deserve better than this. This is no way to repay my loyalty." And so on. The second complaint makes no reference to consent, and does not require it. It would be morally plausible even if we never exchanged marital vows, but lived together as partners for all those years.

Imagining the Perfect Contract

What do these various misadventures tell us about the morality of contracts? Contracts derive their moral force from two different ideals, autonomy and reciprocity. But most actual contracts fall short of these ideals. If I'm up against someone with a superior bargaining posi-

tion, my agreement may not be wholly voluntary, but pressured or, in the extreme case, coerced. If I'm negotiating with someone with greater knowledge of the things we are exchanging, the deal may not be mutually beneficial. In the extreme case, I may be defrauded or deceived.

In real life, persons are situated differently. This means that differences in bargaining power and knowledge are always possible. And as long as this is true, the fact of an agreement does not, by itself, guarantee the fairness of an agreement. This is why actual contracts are not self-sufficient moral instruments. It always makes sense to ask, "But is it fair, what they have agreed to?"

But imagine a contract among parties who were equal in power and knowledge, rather than unequal; who were identically situated, not differently situated. And imagine that the object of this contract was not plumbing or any ordinary deal, but the principles to govern our lives together, to assign our rights and duties as citizens. A contract like this, among parties like these, would leave no room for coercion or deception or other unfair advantages. Its terms would be just, whatever they were, by virtue of their agreement alone.

If you can imagine a contract like this, you have arrived at Rawls's idea of a hypothetical agreement in an initial situation of equality. The veil of ignorance ensures the equality of power and knowledge that the original position requires. By ensuring that no one knows his or her place in society, his strengths or weaknesses, his values or ends, the veil of ignorance ensures that no one can take advantage, even unwittingly, of a favorable bargaining position.

If a knowledge of particulars is allowed, then the outcome is biased by arbitrary contingencies . . . If the original position is to yield agreements that are just, the parties must be fairly situated and treated equally as moral persons. The arbitrariness of the world must be corrected for by adjusting the circumstances of the initial contract situation.¹⁰

The irony is that a hypothetical agreement behind a veil of ignorance is not a pale form of an actual contract and so a morally weaker thing; it's a pure form of an actual contract, and so a morally more powerful thing.

Two Principles of Justice

Suppose Rawls is right: The way to think about justice is to ask what principles we would choose in an original position of equality, behind a veil of ignorance. What principles would emerge?

According to Rawls, we wouldn't choose utilitarianism. Behind the veil of ignorance, we don't know where we will wind up in society, but we do know that we will want to pursue our ends and be treated with respect. In case we turn out to be a member of an ethnic or religious minority, we don't want to be oppressed, even if this gives pleasure to the majority. Once the veil of ignorance rises and real life begins, we don't want to find ourselves as victims of religious persecution or racial discrimination. In order to protect against these dangers, we would reject utilitarianism and agree to a principle of equal basic liberties for all citizens, including the right to liberty of conscience and freedom of thought. And we would insist that this principle take priority over attempts to maximize the general welfare. We would not sacrifice our fundamental rights and liberties for social and economic benefits.

What principle would we choose to govern social and economic inequalities? To guard against the risk of finding ourselves in crushing poverty, we might at first thought favor an equal distribution of income and wealth. But then it would occur to us that we could do better, even for those on the bottom. Suppose that by permitting certain inequalities, such as higher pay for doctors than for bus drivers, we could improve the situation of those who have the least—by increasing access to health care for the poor. Allowing for this possibility, we would adopt what Rawls calls "the difference principle": only those social and

economic inequalities are permitted that work to the benefit of the least advantaged members of society.

Exactly how egalitarian is the difference principle? It's hard to say, because the effect of pay differences depends on social and economic circumstances. Suppose higher pay for doctors led to more and better medical care in impoverished rural areas. In that case, the wage difference could be consistent with Rawls's principle. But suppose paying doctors more had no impact on health services in Appalachia, and simply produced more cosmetic surgeons in Beverly Hills. In that case, the wage difference would be hard to justify from Rawls's point of view.

What about the big earnings of Michael Jordan or the vast fortune of Bill Gates? Could these inequalities be consistent with the difference principle? Of course, Rawls's theory is not meant to assess the fairness of this or that person's salary; it is concerned with the basic structure of society, and the way it allocates rights and duties, income and wealth, power and opportunities. For Rawls, the question to ask is whether Gates's wealth arose as part of a system that, taken as a whole, works to the benefit of the least well off. For example, was it subject to a progressive tax system that taxed the rich to provide for the health, education, and welfare of the poor? If so, and if this system made the poor better off than they would have been under a more strictly equal arrangement, then such inequalities could be consistent with the difference principle.

Some people question whether the parties to the original position would choose the difference principle. How does Rawls know that, behind the veil of ignorance, people wouldn't be gamblers, willing to take their chances on a highly unequal society in hopes of landing on top? Maybe some would even opt for a feudal society, willing to risk being a landless serf in the hopes of being a king.

Rawls doesn't believe that people choosing principles to govern their fundamental life prospects would take such chances. Unless they knew themselves to be lovers of risk (a quality blocked from view by the veil of ignorance), people would not make risky bets at high stakes.

But Rawls's case for the difference principle doesn't rest entirely on the assumption that people in the original position would be risk averse. Underlying the device of the veil of ignorance is a moral argument that can be presented independent of the thought experiment. Its main idea is that the distribution of income and opportunity should not be based on factors that are arbitrary from a moral point of view.

The Argument from Moral Arbitrariness

Rawls presents this argument by comparing several rival theories of justice, beginning with feudal aristocracy. These days, no one defends the justice of feudal aristocracies or caste systems. These systems are unfair, Rawls observes, because they distribute income, wealth, opportunity, and power according to the accident of birth. If you are born into nobility, you have rights and powers denied those born into serfdom. But the circumstances of your birth are no doing of yours. So it's unjust to make your life prospects depend on this arbitrary fact.

Market societies remedy this arbitrariness, at least to some degree. They open careers to those with the requisite talents and provide equality before the law. Citizens are assured equal basic liberties, and the distribution of income and wealth is determined by the free market. This system—a free market with formal equality of opportunity—corresponds to the libertarian theory of justice. It represents an improvement over feudal and caste societies, since it rejects fixed hierarchies of birth. Legally, it allows everyone to strive and to compete. In practice, however, opportunities may be far from equal.

Those who have supportive families and a good education have obvious advantages over those who do not. Allowing everyone to enter the race is a good thing. But if the runners start from different starting points, the race is hardly fair. That is why, Rawls argues, the distribution of income and wealth that results from a free market with formal equality of opportunity cannot be considered just. The most obvious injustice of the libertarian system "is that it permits distributive shares

to be improperly influenced by these factors so arbitrary from a moral point of view."¹¹

One way of remedying this unfairness is to correct for social and economic disadvantage. A fair meritocracy attempts to do so by going beyond merely formal equality of opportunity. It removes obstacles to achievement by providing equal educational opportunities, so that those from poor families can compete on an equal basis with those from more privileged backgrounds. It institutes Head Start programs, childhood nutrition and health care programs, education and job training programs—whatever is needed to bring everyone, regardless of class or family background, to the same starting point. According to the meritocratic conception, the distribution of income and wealth that results from a free market is just, but only if everyone has the same opportunity to develop his or her talents. Only if everyone begins at the same starting line can it be said that the winners of the race deserve their rewards.

Rawls believes that the meritocratic conception corrects for certain morally arbitrary advantages, but still falls short of justice. For, even if you manage to bring everyone up to the same starting point, it is more or less predictable who will win the race—the fastest runners. But being a fast runner is not wholly my own doing. It is morally contingent in the same way that coming from an affluent family is contingent. "Even if it works to perfection in eliminating the influence of social contingencies," Rawls writes, the meritocratic system "still permits the distribution of wealth and income to be determined by the natural distribution of abilities and talents."¹²

If Rawls is right, even a free market operating in a society with equal educational opportunities does not produce a just distribution of income and wealth. The reason: "Distributive shares are decided by the outcome of the natural lottery; and this outcome is arbitrary from a moral perspective. There is no more reason to permit the distribution of income and wealth to be settled by the distribution of natural assets than by historical and social fortune."¹³

Rawls concludes that the meritocratic conception of justice is flawed for the same reason (though to a lesser degree) as the libertarian conception; both base distributive shares on factors that are morally arbitrary. "Once we are troubled by the influence of either social contingencies or natural chance on the determination of the distributive shares, we are bound, on reflection, to be bothered by the influence of the other. From a moral standpoint the two seem equally arbitrary."¹⁴

Once we notice the moral arbitrariness that taints both libertarian and the meritocratic theories of justice, Rawls argues, we can't be satisfied short of a more egalitarian conception. But what could this conception be? It is one thing to remedy unequal educational opportunities, but quite another to remedy unequal native endowments. If we are bothered by the fact that some runners are faster than others, don't we have to make the gifted runners wear lead shoes? Some critics of egalitarianism believe that the only alternative to a meritocratic market society is a leveling equality that imposes handicaps on the talented.

An Egalitarian Nightmare

"Harrison Bergeron," a short story by Kurt Vonnegut, Jr., plays out this worry as dystopian science fiction. "The year was 2081," the story begins, "and everybody was finally equal . . . Nobody was smarter than anybody else. Nobody was better looking than anybody else. Nobody was stronger or quicker than anybody else." This thoroughgoing equality was enforced by agents of the United States Handicapper General. Citizens of above average intelligence were required to wear mental handicap radios in their ears. Every twenty seconds or so, a government transmitter would send out a sharp noise to prevent them "from taking unfair advantage of their brains."¹⁵

Harrison Bergeron, age fourteen, is unusually smart, handsome, and gifted, and so has to be fitted with heavier handicaps than most. Instead of the little ear radio, "he wore a tremendous pair of earphones, and spectacles with thick wavy lenses." To disguise his good looks,

for state power. In the Middle Ages the legitimacy of the final authority, the sovereign prince, was bound up with all the other ties of obligation and duty binding superiors and inferiors. These ties are by the seventeenth century fatally loosened. Man and man confront one another in an arena where the cash nexus of the free-market economy and the power of the centralizing state have together helped to destroy the social bonds on which traditional claims to legitimacy were founded. But how to legitimate the new order and especially the sovereign power? Claims to divine right and scriptural authority founder on arbitrariness. So the state must fall back on appeal, implicit or explicit, to social contract. But at once two points. The very claims of the state imply and allow a prepolitical (and such is the force of *natural*) right of the individual over whom authority is asserted to be satisfied that there is a contract, that he has consented to it, and that the state has performed its part. But, of course, normally there is no such contract, for there is no such consent. Individuals have no opportunity for expression of either consent or dissent. Thus the doctrine of natural rights is in this form a key doctrine of liberty. For it shows that most claims of most states to exercise legitimate authority over us are and must be unfounded. That radical consequences for both morals and politics ensue are obvious. It is thus the case that a great step forward in moral and political philosophy was taken by half-forgotten thinkers like Rainborough, Winstanley the Digger, and Overton and other Levellers. That they are forgotten is due to the various ways their doctrine was transmuted in the following generations. Morally, as I have already noticed, the rights of the individual were increasingly connected with the right of freedom in the market economy. Politically, the doctrine of John Locke displaced theirs. But because Locke's doctrine is as important for morals as for politics, to it we must now turn.

12

THE BRITISH EIGHTEENTH-CENTURY ARGUMENT

JOHN LOCKE's *Two Treatises of Government* was published in England in 1690 with the avowed motive of justifying the Whig rebellion and revolution of 1688, which had put William of Orange on the English throne. Locke wished to defend the new regime by showing that rebellion by Williamites against King James had been legitimate, but that rebellion by Jacobites against King William in 1689 and after would be illegitimate. Thus Locke poses once more the Hobbesian questions, In what does the legitimate authority of a sovereign consist? and, When, if ever, is rebellion justified?

Like Hobbes, Locke begins from a portrait of the state of nature. But the Lockean state of nature is not in fact presocial, nor premoral. Men in it live in families, in a settled social order. They have and enjoy property. They make and acknowledge claims upon one another. But their life has defects. Every rational creature is aware of the law of nature; but the bias of interest and lack of attention cause men to apply it more rigorously in the case of others than of themselves, while crimes that are committed may well go unpunished for lack of a proper authority. Disputes between men have no impartial arbiter to decide them, and every dispute will therefore tend toward a state of war between the parties. All these considerations make desirable the handing over of authority to a civil power in whom trust can be reposed. So the contract. The aim of the contract is to create an authority adequate to safeguard our natural rights, and for Locke the most important of rights is that of property. Locke begins from a posi-

tion not too dissimilar from that of Overton. A man's person and his property are so closely linked that his natural right to liberty must extend from one to the other. To what property am I entitled? To that which my labor has created. A man may acquire as much property as his labor enables him to make use of. We must remember at this point that what is being spoken of is a man's rights in a state of nature, prior to the laws of civil society. Locke supposes a state of affairs where land is unlimited and transfer of property not yet instituted. Can such a state of things exist? "In the beginning all the world was America, and more so than it is now; for no such thing as money was anywhere known."³⁶

What is the effect of the contract? Men hand over to a legislative and executive power the authority to pass and to enforce laws which will protect their natural rights. In so doing, they both transfer that authority and set limits to it; for insofar as the civil authority does not protect natural rights, it ceases to be a legitimate authority. The guarantee that it will protect such rights lies in the provision that the only valid laws are those passed by a majority vote. In this aspect of his thought Locke is the ancestor of liberal democracy. But with just this aspect of his thought a difficulty arises. The laws are designed for the protection of property. Who are the possessors of property? Although Locke believed that a man could not alienate away from himself the right to liberty for his person (the legal expression of which includes such measures as habeas corpus), he does allow that property is alienable. A man's initial right is only to such property as his labor has created; but with the wealth derived therefrom he may acquire the property of others and he may acquire servants. If he does, *their* labor creates property for *him*. Therefore, gross inequality in property is consistent with Locke's doctrine of a natural right to property. Not only this, but Locke seems to have been aware of the fact that more than half the population of England was effectively propertyless. How, then, is he able to reconcile his view of the right of the majority to rule with his view of the natural right to property? Is he not involved in the difficulty which has been alleged against the Levellers? That if the kind of franchise which they advocated had been brought in, the majority of the voters would in fact have chosen to abolish

even such civil and religious liberty as existed under the Parliament and under Cromwell, and would have voted to restore the monarchy. So, against Locke, might it not be argued that to give the rule to the majority will be to give the rule to the many whose interest lies in the abolition of the right of the few to the property which they have acquired? This problem is raised nowhere explicitly in Locke, and the reason may be that Locke takes it for granted that the answer to this question is No; and he is able to take this for granted, because he is able to assume that what the majority do and will accept is an oligarchical government controlled by the property owners, and especially by the owners of large-scale property. Why is he able to assume this? Perhaps because of his doctrine of tacit consent.

Locke writes that "every Man, that hath any Possession, or Enjoyment, of any part of the Dominions of any Government, doth thereby give his *tacit Consent*, and is as far forth obliged to Obedience to the Laws of that Government, during such Enjoyment, as any one under it; whether this his Possession be of Land, to him and his Heirs for ever, or a Lodging only for a Week; or whether it be barely travelling freely on the Highway; and in Effect, it reaches as far as the very being of any one within the Territories of that Government."³⁷ Thus it follows that the wandering gypsy on the road has consented to the authority of the government, which may therefore legitimately conscript him into its armed forces. Locke's doctrine is important because it is the doctrine of every modern state which claims to be democratic, but which like every state wishes to coerce its citizens. Even if the citizens are not consulted and have no means of expressing their views on a given topic, they are held to have tacitly consented to the actions of governments. Moreover, we can see why modern democratic states have no alternative but to fall back upon a doctrine of this kind. For, like Locke's Whig oligarchy, they have nothing to ground their legitimacy upon but popular consent; and, as in Locke's Whig oligarchy, the majority of their subjects have no genuine opportunity to participate in the political process except in the most passive way. It follows that *either* the authority claimed by the government of these states is not genuine, and that their subjects are therefore under no obligation to obey

helpless mammal at close range, without any challenge or chase, simply to complete a list, is not worthy of being fulfilled, even if doing so provides extra income for the Inuit. Second, for the Inuit to sell outsiders the right to kill their allotted walruses corrupts the meaning and purpose of the exemption accorded their community in the first place. It's one thing to honor the Inuit way of life and to respect its long-standing reliance on subsistence walrus hunting. It's quite another to convert that privilege into a cash concession in killing on the side.

INCENTIVES AND MORAL ENTANGLEMENTS

During the second half of the twentieth century, Paul Samuelson's *Economics* was the leading economics textbook in the country. I recently looked at an early (1958) edition of his book to see what he took economics to be. He identified economics with its traditional subject matter: "the world of prices, wages, interest rates, stocks and bonds, banks and credit, taxes and expenditure." The task of economics was concrete and circumscribed: to explain how depressions, unemployment, and inflation can be avoided, to study the principles "that tell us how productivity can be kept high" and "how people's standards of living can be improved."⁵⁹

Today, economics has wandered quite a distance from its traditional subject matter. Consider this definition of an economy offered by Greg Mankiw in a recent edition of his own influential economics textbook: "There is no mystery to what an 'economy' is. An economy is just a group of people interacting with one another as they go about their lives."

In this account, economics is about not only the production, distribution, and consumption of material goods but also about human interaction in general and the principles by which individuals make decisions. One of the most important of these principles, Mankiw observes, is that "people respond to incentives."⁶⁰

Talk of incentives has become so pervasive in contemporary economics that it has come to define the discipline. In the opening

pages of *Freakonomics*, Steven D. Levitt, an economist at the University of Chicago, and Stephen J. Dubner declare that “incentives are the cornerstone of modern life” and that “economics is, at root, the study of incentives.”⁶¹

It is easy to miss the novelty of this definition. The language of incentives is a recent development in economic thought. The word “incentive” does not appear in the writings of Adam Smith or other classical economists.⁶² In fact, it didn’t enter economic discourse until the twentieth century and didn’t become prominent until the 1980s and 1990s. *The Oxford English Dictionary* finds its first use in the context of economics in 1943, in *Reader’s Digest*: “Mr. Charles E. Wilson ... is urging war industries to adopt ‘incentive pay’—that is, to pay workers more if they *produce* more.” The use of the word “incentives” rose sharply in the second half of the twentieth century, as markets and market thinking deepened their hold. According to a Google book search, the incidence of the term increased by over 400 percent from the 1940s to the 1990s.⁶³

Conceiving economics as the study of incentives does more than extend the reach of markets into everyday life. It also casts the economist in an activist role. The “shadow” prices that Gary Becker invoked in the 1970s to explain human behavior were implicit, not actual. They were metaphorical prices that the economist imagines, posits, or infers. Incentives, by contrast, are interventions that the economist (or policy maker) designs, engineers, and imposes on the world. They are ways of getting people to lose weight, or work harder, or pollute less. “Economists love incentives,” write Levitt and Dubner. “They love to dream them up and enact them, study them and tinker with them. The typical economist believes the world has not yet invented a problem that he cannot fix if given a free hand to design the proper incentive scheme. His solution may not always be pretty—it may involve coercion or exorbitant penalties or the violation of civil liberties—but the original problem, rest assured, will be fixed. An incentive is a bullet, a lever, a key: an often tiny object with astonishing power to change a situation.”⁶⁴

This is a far cry from Adam Smith’s image of the market as an invisible hand. Once incentives become “the cornerstone of modern life,” the market appears as a heavy hand, and a manipulative one.

(Recall the cash incentives for sterilization and good grades.) “Most incentives don’t come about organically,” Levitt and Dubner observe. “Someone—an economist or a politician or a parent—has to invent them.”⁶⁵

The growing use of incentives in contemporary life, and the need for someone deliberately to invent them, is reflected in an ungainly new verb that has gained currency of late: “incentivize.” According to the OED, to incentivize is “to motivate or encourage (a person, esp. an employee or customer) by providing a (usually financial) incentive.” The word dates to 1968 but has become popular in the last decade, especially among economists, corporate executives, bureaucrats, policy analysts, politicians, and editorial writers. In books, the word scarcely appeared until around 1990. Since then, its use has soared by more than 1,400 percent.⁶⁶ A LexisNexis search of major newspapers reveals a similar trend:

Appearance of “incentivize” or “incentivise” in major newspapers⁶⁷

1980s	48
1990s	449
2000s	6159
2010–11	5885

Recently, “incentivize” has entered the parlance of presidents. George H. W. Bush, the first U.S. president to use the term in public remarks, used it twice. Bill Clinton used it only once in eight years, as did George W. Bush. In his first three years in office, Barack Obama has used “incentivize” twenty-nine times. He hopes to incentivize doctors, hospitals, and health-care providers to give more attention to preventive care and wants “to poke, prod, [and] incentivize banks” to provide loans to responsible homeowners and small businesses.⁶⁸

Britain’s prime minister, David Cameron, is also fond of the word. Speaking to bankers and business leaders, he called for doing more to “incentivise” a “risk-taking investment culture.” Speaking to the British people after the London riots of 2011, he complained that “some of the worst aspects of human nature” had been “tolerated,

indulged, even sometimes incentivized,” by the state and its agencies.⁶⁹

Despite their new incentivizing bent, most economists continue to insist on the distinction between economics and ethics, between market reasoning and moral reasoning. Economics “simply doesn’t traffic in morality,” Levitt and Dubner explain. “Morality represents the way we would like the world to work, and economics represents how it actually does work.”⁷⁰

The notion that economics is a value-free science independent of moral and political philosophy has always been questionable. But the vaunting ambition of economics today makes this claim especially difficult to defend. The more markets extend their reach into noneconomic spheres of life, the more entangled they become with moral questions.

Consider economic efficiency. Why care about it? Presumably, for the sake of maximizing social utility, understood as the sum of people’s preferences. As Mankiw explains, an efficient allocation of resources maximizes the economic well-being of all members of society.⁷¹ Why maximize social utility? Most economists either ignore this question or fall back on some version of utilitarian moral philosophy.

But utilitarianism is open to some familiar objections. The objection most relevant to market reasoning asks why we should maximize the satisfaction of preferences regardless of their moral worth. If some people like opera and others like dogfights or mud wrestling, must we really be nonjudgmental and give these preferences equal weight in the utilitarian calculus?⁷² When market reasoning is concerned with material goods, such as cars, toasters, and flat-screen televisions, this objection doesn’t loom large; it’s reasonable to assume that the value of the goods is simply a matter of consumer preference. But when market reasoning is applied to sex, procreation, child rearing, education, health, criminal punishment, immigration policy, and environmental protection, it’s less plausible to assume that everyone’s preferences are equally worthwhile. In morally charged arenas such as these, some ways of valuing goods may be higher, more appropriate than others. And if that’s the case, it’s unclear why we should satisfy preferences indiscriminately,

without inquiring into their moral worth. (Should your desire to teach a child to read really count equally with your neighbor's desire to shoot a walrus at point-blank range?)

So when market reasoning travels beyond the domain of material goods, it must "traffic in morality," unless it wants blindly to maximize social utility without regard for the moral worth of the preferences it satisfies.

There's a further reason that the expansion of markets complicates the distinction between market reasoning and moral reasoning, between explaining the world and improving it. One of the central principles of economics is the price effect—when prices go up, people buy less of a good, and when prices go down, they buy more. This principle is generally reliable when we're talking about the market for, say, flat-screen TVs.

But as we've seen, it is less reliable when applied to social practices governed by nonmarket norms, like arriving on time to pick up your child at the day-care center. When the price of arriving late went up (from no charge), late pickups increased. This result confounds the standard price effect. But it's understandable if you recognize that marketizing a good can change its meaning. Putting a price on late pickups changed the norm. What was once seen as a moral obligation to arrive on time—to spare the teachers an inconvenience—was now seen as a market relationship, in which late-arriving parents could simply pay teachers for the service of staying longer. As a result, the incentive backfired.

The day-care story shows that, as markets reach into spheres of life governed by nonmarket norms, the standard price effect may not hold. Raising the (economic) cost of coming late led to more late pickups, not fewer. So to explain the world, economists have to figure out whether putting a price on an activity will crowd out nonmarket norms. To do so, they have to investigate the moral understandings that inform a given practice and determine whether marketizing the practice (by providing a financial incentive or disincentive) will displace them.

At this point, the economist might concede that, in order to explain the world, he or she must engage in moral psychology or anthropology, to figure out what norms prevail and how markets will

affect them. But why does this mean that moral philosophy must enter the picture? For the following reason:

Where markets erode nonmarket norms, the economist (or someone) has to decide whether this represents a loss worth caring about. Should we care whether parents stop feeling guilty for picking up their children late and come to view their relationship with the teachers in more instrumental terms? Should we care if paying children to read books leads them to view reading as a job for pay and diminishes the joy of reading for its own sake? The answer will vary from case to case. But the question carries us beyond predicting whether a financial incentive will work. It requires that we make a moral assessment: What is the moral importance of the attitudes and norms that money may erode or crowd out? Would the loss of nonmarket norms and expectations change the character of the activity in ways we would (or at least should) regret? If so, should we avoid introducing financial incentives into the activity, even though they might do some good?

The answer will depend on the purpose and character of the activity in question and the norms that define it. Even day-care centers differ in this respect. Displacing shared expectations of mutual obligation may be more damaging in a cooperative, where parents volunteer a certain number of hours each week, than in a conventional day-care establishment, where parents pay the teachers to look after the children and then go about their day. But it is clear in any case that we are on moral terrain. To decide whether to rely on financial incentives, we need to ask whether those incentives will corrupt attitudes and norms worth protecting. To answer this question, market reasoning must become moral reasoning. The economist has to “traffic in morality” after all.

1

What Do Markets Do?

Economists have written surprisingly little about the nature of a market, assuming perhaps that it is a simple concept with a clear or obvious referent. There is, for example, no definition of a market in many of the most widely used economic textbooks.¹ Yet in reality a market is a complex institution. As we will see in subsequent chapters, my view of markets is that they are even more complex than the basic account I give here suggests.

To begin, markets are institutions in which exchanges take place between parties who voluntarily undertake them.² Because all human action takes place within limits—I can’t use my arms to fly simply by wishing it so—“voluntary” cannot mean the same thing as “unconstrained.” All human action is constrained, by external and internal factors. There is a rich and subtle philosophical literature on the nature of voluntary actions, attempting to distinguish them from actions that are *unjustly* constrained.³ For present purposes I will simply assume that in market exchanges both buyer and seller are entitled to the resources with which they transact, have the freedom to accept or refuse an offer of exchange, and can attempt to make another offer or strike a better deal with someone else.⁴

Additionally a market is not a single exchange between two individuals; indeed an exchange can be noxious without there being a noxious market.⁵ Markets coordinate behavior through price signals, and to do this there have to be enough exchanges so that people are able to adjust their behavior in response to the actions and anticipated actions of others. If there are only two goods in the world, then you and I might exchange those goods with each other, but unless there is the possibility of coordination on future exchanges we don’t really have a market, at least as I am using the term here.

The New Shorter Oxford English Dictionary defines a market as “a meeting or gathering place of people for the purchase and sale of

provisions or livestock” and as “the action or business or buying and selling.”⁶ But markets are not merely meeting places or a series of individual transactions: they are social institutions that must be built up and maintained.⁷ Initially markets may be thrown up spontaneously, but in the end they are socially sustained; *all* markets depend for their operation on background property rules and a complex of social, cultural, and legal institutions. For exchanges to constitute the structure of a market many elements have to be in place: property rights need to be defined and protected, rules for making contracts and agreements need to be specified and enforced, information needs to flow smoothly, people need to be induced through internal and external mechanisms to behave in a trustworthy manner, and monopolies need to be curtailed. In all developed market economies governments play a large role in securing these elements.

For this reason it is mistaken to consider *state* and *market* to be opposite terms; the state necessarily shapes and supports the process of market transacting. In Lewis Kornhauser and Robert Mnookin’s memorable phrase, all (market) bargaining occurs in the shadow of the law.⁸ Transacting individuals depend on the state for their basic security when they walk to the corner store to purchase food for their meals; they expect the state to enforce health and safety requirements concerning food production and handling; and they expect the shop owner to be sanctioned if he fails to keep up his end of the transaction. The fact that laws and institutions underwrite market transactions also means that such transactions are, at least in principle, not *private* capitalist acts between consenting adults, as the libertarian philosopher Robert Nozick famously claimed, but instead a *public* concern of all citizens whether or not they directly participate in them.

In addition to specific markets, such as markets in land, labor, or luxury goods like a yacht, there is what is sometimes referred to as “the market system” or the market economy. This further abstraction is usually taken to refer to a “society wide coordination of human activities” through mutual transactions.⁹ Some people also use the term to refer to the integration of markets with “private property in the means of production.”¹⁰ But markets can coordinate behavior under very different property rules. I will use the term *market* in the context of discussing specific types of exchange transactions and *market system* as the abstraction that is supposed to link the set of all such markets. One important

argument of this book is that in order to understand and fully appreciate the diverse moral dimensions of markets, we need to focus on the specific nature of particular markets and not on the market system.

MARKET VIRTUES

It is difficult to understand how a market system or any particular market works. Like ants in a colony, individuals cooperating in a market “have no dictators, no generals, no evil masterminds. In fact, there are no leaders at all.”¹¹ The participants in a market are not obligated to follow another’s orders with respect to what they buy and sell. Through markets individuals coordinate and mutually adjust their behaviors without relying on a conscious organizer to bring about the coordination. Somehow a market order arises out of millions of independent individual decisions, although such decisions are supported, as I stressed earlier, by an array of government and nongovernment institutions. Nevertheless the fact that coordination occurs largely through individual decisions and not through a central command and control structure explains and supports two particular virtues associated with markets, at least when they are working well: their link to efficiency and their link to liberty. Let us consider each of these virtues in turn.

EFFICIENCY

Market transactions link multiple chains of trades and involve cooperative behaviors spanning the globe. To give an example, workers in India whom I will never meet assembled my cell phone using materials imported from Africa and ordered on the Internet from suppliers, and the phone was transported to me by the employees of a transnational shipping company. Through the use of prices, markets signal what millions of goods are worth to sellers and buyers and intermediaries who will never meet each other. In doing so they function to mete out resources efficiently, indicating to sellers what and how much to produce, to consumers what price to pay, and to investors where to lay down their capital. Because rational individuals will exchange with one another only when they have

servitude and dependency.³⁶ And I will postpone discussion of how even efficient and freedom-enhancing markets can nevertheless be problematic until chapter 4, when I discuss markets in specific goods like safety and education. I conclude this chapter by focusing on the main contemporary economic concern with markets: their efficiency. Why does the link between markets and efficiency sometimes fail, even when good supports for the market are in place?

MARKET FAILURE

It is well recognized in economics that market transactions can sometimes impose costs on uninvolved third parties. These costs are usually referred to as “externalities,” and they form the core of the economist’s theory of market failure. As an example, consider that the effects of pollution cannot be restricted only to the parties whose exchanges produce it. Many of the world’s greatest environmental problems today are due to the external unpriced effects of increasing industrial production and fuel consumption. Likewise the sales of international weapons can spill over to have effects on people who are far removed from the parties to the transaction. Other bases of market failure include non-zero transaction costs and technologies that give rise to economies of scale, making only monopolistic or oligopolistic firms viable, as well as the existence of natural monopolies.

When markets fail because of externalities it is because there are some costs that have been introduced that individuals acting in the market have not accounted for. Some of these costs may actually be beneficial—public goods and not public bads—but the ones that concern us are usually not. The production of public bads as a byproduct of market exchanges forms the basis for the economic case for their regulation.

At one time economists proceeded as if externalities were unusual, and the rule was that most transactions had little effect on the individuals who were not direct parties to the exchange.³⁷ But a little reflection will show that this assumption is mistaken. Almost any exchange in a dense, interdependent, and complex society is likely to impose a cost on third parties. Building high-rise apartment towers block the sunlight for neighboring houses. Cars bring congestion. Cigarette smoke circulates. In fact whenever I have preferences over your actions or their effects we

also have an externality. If I disapprove of a particular religious text because I despise that religion, then your buying or selling this text generates an externality for me, a negative cost that I must now absorb.³⁸

In practice economists tend to be quite opportunistic as to where and when they invoke the concept of externality.³⁹ Indeed they usually appeal to externalities as a basis of regulation in ways that track the traditional “harm principle” of liberal theory, according to which the bare fact that I do not like a certain outcome does not constitute *harm*, that is, a genuine *cost* to me that calls for redress.⁴⁰ But nothing in economic analysis generates or supports this particular interpretation of costs or harm; the economic argument for identifying inefficiencies in the case of only certain externalities—pollution but not intolerance of religious diversity—feeds off moral theory done elsewhere.⁴¹ That’s not necessarily a problem, as long as we attend to the moral theory and make it explicit in our understanding of inefficiency.

Markets can also fail to provide needed public goods, where these are understood to include goods (such as national defense) that provide positive externalities, are nonexcludable, and are costly to produce. In such cases, although it is to everyone’s benefit that the good be provided, it is in no one’s individual benefit to provide it. If national defense is provided it will benefit all those who live in a country, even those who do not pay their share of the costs of maintaining it. Many goods are purely or partially public in nature. (And sometimes we face decisions about whether to consider a good a public or a private good. Although education is often treated as a public good, it *could* be treated as a private good.) Of course even if markets generate inefficiencies due to externalities, the alternatives might be worse. Perhaps some market inefficiency is preferable to a lot of government regulation, with its slow, clumsy, and lumbering bureaucracy. That is why market failure generates only a *prima facie* case for intervention, not an-all-things considered case.

The logic of the economic approach to markets leads us to view market failure as an indicator not that the market’s system of allocation is defective, but as a sign that the market system is not complete.⁴² If the scope of the market could be enlarged to include the external third party effects—if sunlight, congestion, pollution, secondhand cigarette smoke, and religious distaste could be priced and sold—then the externalities could be reabsorbed. A complete market, universal in scope and across all future temporal states of the world, promises *in theory* to eliminate

all externalities. Indeed much economic reasoning is at least theoretically imperialistic about the range of the market. In the standard Arrow-Debreu general equilibrium models, for example, there is assumed to be a market for every conceivable good, present and future, and every conceivable circumstance.⁴³

Economists' response to the inefficiencies of actual markets suggests that they have some independent normative commitments and beliefs—a belief, for example, that the market's inefficiency costs will turn out to be less burdensome than the intrusions of state regulation, and the assumption that third-party cost is defined by only certain kinds of losses. It is open to any of us to endorse a different and more complex view of the concept of market failure.

LOOKING AHEAD

To this point I have stressed the idea of markets as economic and social mechanisms for setting prices, coordinating behavior, and promoting individual choices. As we have seen, contemporary economics offers some powerful arguments in favor of the market mechanism. Markets are often (but not always) better in a technical sense than alternatives, superior as an outcome (in terms of individual preferences) for everyone involved. Markets help develop and give range to individual choice and decision. This chapter explains and defends (in part) these arguments. But it also cautions us to not treat these arguments as *a priori*. Markets are not *necessarily* better at promoting these values than alternatives, including, in many instances, in-kind redistribution by the state. To evaluate markets and their alternatives we need to examine messy empirical cases.

The economic arguments in favor of markets proceed without attaching any independent moral value to the commodities being produced and exchanged. It doesn't matter whether the goods on the market are bibles, guns, butter, human organs, "blood diamonds" that fuel bloody civil wars, or sex. Nor is the quality of the goods relevant. It all looks the same in the economist's equations. As Lionel Robbins explained in 1932, economics deals with the ubiquitous elements of scarcity, means, and ends, and the means and ends can be filled in with any content whatsoever.⁴⁴ All markets are explained in the same terms.

Moreover market failure is understood in the same terms in all of these different cases. Rather than address questions of ethics, most economists purport to employ a division of labor whereby they explain only the economic consequences of the use of particular markets for efficiency while others worry about ethics. But, as I have argued, such a division of labor is impossible: what counts as an inefficiency or an economic improvement involves prior ethical judgments. For if the only resource we have for thinking about efficiency is subjective preference, then we will have to count dissatisfactions based on envy at another's success as economic costs. But this seems ludicrous. It follows that any plausible measure of the costs of various activities presupposes a substantive conception of what is important to human welfare, of which subjectively felt harms count as costs. Efficiency turns out to have a moral dimension after all.

In this book I will argue that neither standard efficiency analysis nor the generic concept of market failure can tell us when we should use markets to allocate particular goods and when other mechanisms are more appropriate. Let me anticipate my discussion in the coming chapters with a few simple examples.

Consider the vote. As James Tobin notes, "Any good second year graduate student could write a short examination paper proving that voluntary transactions in votes would increase the welfare of the sellers as well as the buyers."⁴⁵ But no one seriously proposes that we distribute a society's votes through a market; the legitimacy of the political process rests on the prohibition of such transactions.

Consider the labor market. Should employers be allowed to demand sexual favors in compensation for a higher wage?⁴⁶ Should individuals be allowed to sign slavery contracts with one another? Both *quid pro quo* sexual favors and slave contracts are widely held to be reprehensible. The interesting question is why this is so and whether efficiency or the standard analysis of market failure is in any way at issue.

Military service is often viewed as a civic duty and something to be praised when undertaken. At the same time, the hiring of mercenaries is widely condemned. Why do people condemn an act when done for pay that they would praise if done for duty?⁴⁷

A central thesis of this book is that we must expand our evaluation of markets, along with the concept of market failure, to include the effects of such markets on the structure of our relationships with one another,

on our democracy, and on human motivation. Even if markets in sexual favors or votes or mercenaries turned out to be efficient, and even if they arose from voluntary agreements, such markets might still be objectionable—*would* be objectionable, I shall argue—insofar as they arise from weak agency, exploit the underlying vulnerabilities of the most vulnerable, or have extremely harmful consequences for individuals or their societies.

In the next two chapters I explore alternative frameworks for thinking about markets. In chapter 2 I present the neglected and rich approach of the classical political economists. Whereas contemporary economics has tended to think of markets in very abstract terms, the classical economists saw markets as heterogeneous, and they sharply distinguished between markets in land, labor, and capital. Their assessment of different markets explicitly called attention to the structure of power and to the effects of markets on human motivation, human capacities, and social relationships. This tradition has been neglected in economics, and I argue that we have much to learn from it. Chapter 3 examines some contemporary egalitarian frameworks for considering the role of the market and its moral limits, including those of Ronald Dworkin and Michael Walzer. In chapter 4 I present and defend my own view of these limits.

independently defined sense (such as happiness or desire-fulfilment) that the person is in fact trying to maximize.

Self-interest and Rational Behaviour

I turn now to the second approach to rationality – that of self-interest maximization. This is, in fact, based on demanding an *external* correspondence between the choices that a person makes and the self-interest of the person. This approach certainly is not open to the criticism made against the internal consistency view of rationality. In terms of historical lineage, the self-interest interpretation of rationality goes back a long way, and it has been one of the central features of mainline economic theorizing for several centuries.

The trouble with this approach to rationality lies elsewhere. Why should it be *uniquely* rational to pursue one's own self-interest to the exclusion of everything else? It may not, of course, be at all absurd to claim that maximization of self-interest is not irrational, at least not necessarily so, but to argue that anything other than maximizing self-interest must be irrational seems altogether extraordinary.

The self-interest view of rationality involves *inter alia* a firm rejection of the 'ethics-related' view of motivation. Trying to do one's best to achieve what one would like to achieve can be a part of rationality, and this can include the promotion of non-self-interested goals which we may value and wish to aim at. To see any departure from self-interest maximization as evidence of irrationality must imply a rejection of the role of ethics in actual decision taking (other than some variant or other of that exotic moral view known as 'ethical egoism'¹¹).

¹¹ For a critical examination of different versions of 'ethical egoism', see Williams (1985, pp. 11–15).

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The methodological strategy of using the concept of rationality as an 'intermediary' is particularly inappropriate in arriving at the proposition that *actual* behaviour must be self-interest maximizing. Indeed, it may not be quite as absurd to argue that people always *actually* do maximize their self-interest, as it is to argue that *rationality* must invariably demand maximization of self-interest. Universal selfishness as *actuality* may well be false, but universal selfishness as a requirement of *rationality* is patently absurd. The complex procedure of equating self-interest maximization with rationality and then identifying actual behaviour with rational behaviour seems to be thoroughly counterproductive if the ultimate intention is to provide a reasonable case for the assumption of self-interest maximization in the specification of *actual* behaviour in economic theory. To try to use the demands of rationality in going to battle on behalf of the standard behavioural assumption of economic theory (to wit, *actual* self-interest maximization) is like leading a cavalry charge on a lame donkey.

Forgetting rationality for the moment, how good an assumption is self-interest maximization as a characterization of *actual* behaviour? Does the so-called 'economic man', pursuing his own interests, provide the best approximation to the behaviour of human beings, at least in economic matters? That is indeed the standard assumption in economics, and that point of view is not short of supporters.¹² For example, in his Tanner Lectures entitled

¹² It has also been disputed from many different points of view, suggesting various alternative structures. See Sen (1966, 1973a, 1974, 1977c), Hirschman (1970, 1977, 1982, 1984, 1985), Nagel (1970), Kornai (1971), Hollis and Nell (1975), Leibenstein (1976), Scitovsky (1976, 1985), Baier (1977), Hirsch (1977), Ullman-Margalit (1977), Broome (1978), Collard (1978), Rose-Ackerman (1978), Schelling

'Economics or Ethics?', George Stigler (1981) has provided a well-articulated defence of the view that 'we live in a world of reasonably well-informed people acting intelligently in pursuit of their self-interests' (p. 190).

The evidence for this belief presented by Stigler seems, however, to be largely confined to predictions made by Stigler himself:

Let me predict the outcome of the systematic and comprehensive testing of behaviour in situations where self-interest and ethical values with wide verbal allegiance are in conflict. Much of the time, most of the time in fact, the self-interest theory (as I interpreted on Smithian lines) will win.¹³

(1978, 1984), Wong (1978), Elster (1979, 1983), Hollis (1979, 1981), Majumdar (1980), Pattanaik (1980), Solow (1980), Winston (1980) Dyke (1981), Putterman (1981, 1986), van der Veen (1981), Akerlof and Dickens (1982), McPherson (1982, 1984), Margolis (1982), Akerlof (1983, 1984), Douglas (1983), Hindess (1983), Frohlick and Oppenheimer (1984), George (1984), Helm (1984a), Parfit (1984), Schick (1984), Davidson (1985a), Diwan and Lutz (1985), Frank (1985), Hirschleifer (1985), Schotter (1985), Steedman and Krause (1986). But it is fair to say despite these (and other) criticisms, the assumption of purely self-interested behaviour remains the standard one in economics, providing the behavioural foundation of standard economic theory and policy analysis, and the basis of much of what is taught to students of economics.

¹³ Stigler (1981, p. 176). Later on Stigler argues that 'the utility-maximizing hypothesis is . . . difficult to test, less because of its own ambiguities than because there is no accepted body of ethical beliefs which can be tested for consistency with the hypothesis' (pp. 189-190). One can, however, argue that if indeed there were no ambiguities in the definition of 'the utility maximizing hypothesis', it should be possible 'to do a testing of the results of that hypothesis *vis-à-vis* *directional* departures towards the interests of others. Also, in testing whether the utility-maximizing hypothesis, if unambiguous, is correct or not, there is no necessity to contrast it with one particular 'accepted body of ethical beliefs'.

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Stigler does not reveal his grounds for this prediction excepting his belief that this result 'is the prevalent one found by economists not only within a wide variety of economic phenomena, but in their investigations of marital, child-bearing, criminal, religious, and other social behaviours as well' (p. 176). But the fact is there have been very few empirical testings of this kind, whether in economics, or in such matters as marital relations, or religious behaviour, despite analytically interesting pronouncements by some theorists.¹⁴ While assertions of conviction are plentiful, factual findings are rare. Claims that the self-interest theory 'will win' have typically been based on some special theorizing rather than on empirical verification.

Sometimes the alleged case for assuming self-interested action seems to be based on its expected results – arguing that this would lead to efficient outcomes. The success of some free-market economies, such as Japan, in producing efficiency has also been cited as some evidence in the direction of the self-interest theory. However, the success of a free market does not tell us anything at all about what *motivation* lies behind the action of economic agents in such an economy. Indeed, in the case of Japan, there is strong empirical evidence to suggest that systematic departures from self-interested behaviour in the direction of duty, loyalty and goodwill have played a substantial part in industrial success.¹⁵ What Michio Morishima (1982) calls 'the Japanese ethos' is certainly hard to fit into any simple

¹⁴ On this, see Becker (1976, 1981), Posner (1977, 1980), Grossbard (1980), Radnitzsky and Bernholz (1985).

¹⁵ Indeed the hold of rule-based behaviour in Japan can be seen not only in economic matters, but also in other spheres of social conduct, e.g. in the rarity of littering, the infrequency of litigation, an unusually small number of lawyers, and a lower rate of crime, compared with countries of similar affluence.

picture of self-interested behaviour (even taking into account the indirect effects, to which Stigler rightly refers). Indeed, we are beginning to see the development of a whole range of alternative theories about economic behaviour to achieve industrial success, based on comparative studies of different societies with different prevalent value systems (Ronald Dore's 1984 pointer to what he calls 'the Confucian recipe for industrial success' being one interesting example of such alternative theories).¹⁶

It is worth commenting – at the risk of labouring the obvious – that to deny that people always behave in an exclusively self-interested way is not the same as asserting that they *always* act selflessly. It would be extraordinary if self-interest were not to play quite a major part in a great many decisions, and indeed normal economic transactions would break down if self-interest played no substantial part at all in our choices (on this, see Sen 1983b). The real issue is whether there is a plurality of motivations, or whether self-interest *alone* drives human beings.

A second clarificatory point concerns the fact that the contrast is not necessarily between self-interest, on the one hand, and some kind of a general concern for all, on the other. The traditional dichotomy between 'egoism' and 'utilitarianism' (see Sidgwick 1874, Edgeworth 1881) is misleading in several respects, including the fact that

¹⁶ The evolutionary perspective is an important one in this context, on which see Hicks (1969), Hirschleifer (1977, 1985), Guha (1981), Schotter (1981, 1985), Nelson and Winter (1982), Helm (1984a), Matthews (1984). On the biological literature, see Maynard Smith (1982) in addition to Dawkins (1976, 1982) and Wilson (1978, 1980). The simple natural-selection argument for profit maximizing firms being selected (see, for example, Friedman 1953) needs substantial modification in the presence of recognized complexities of the evolutionary process.

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groups intermediate between oneself and all – such as class, community or occupation groups – provide the focus of many actions involving committed behaviour. The members of each group may have partly congruent and partly conflicting interests. Actions based on group loyalty may involve, in some respects, a sacrifice of purely personal interests, just as they can also facilitate, in other respects, a greater fulfilment of personal interests. The relative balance of the two may vary. The congruent elements may be more dominant in, say, collusive action on the part of pressure groups agitating for concessions that help the interests of all the members,¹⁷ even though many agitators may also be willing to sacrifice some *personal* gains for the ‘cause’ of the group. In other relations, e.g. in many cases of family obligations, the extent of sacrifice could indeed be very large.¹⁸ The mixture of selfish and selfless behaviour is one of the important characteristics of group loyalty, and this mixture can be seen in a wide variety of group associations varying from kinship relations and communities to trade unions and economic pressure groups.¹⁹

¹⁷ See, for example, Aumann and Kurz (1977), Becker (1983), Lindbeck (1985). See also Frey (1983).

¹⁸ Traditional family relations in many societies have called for asymmetric sacrifices by some members of the family, e.g. women. The survival of these traditions have often been helped by the acceptance of a particular type of ‘ethic’ in which gross inequalities in living standards may not appear unacceptable and sometimes may not in fact be consciously recognised and presented for assessment and acceptance. The issue of perception is a central one in understanding sex bias in traditional societies, and an ethical challenge to the traditional moralities call for some cognitive arguments. I have tried to discuss these interrelated factual and moral issues, mainly in the light of Indian evidence, in Sen (1984a, 1985b, 1985f); see also Kynch and Sen (1983).

¹⁹ The so-called ‘Japanese ethos’ (Morishima 1982; Dore 1983) reflects a

It is important to distinguish between two different issues in the problem of self-interested behaviour. There is, first, the question whether people *actually* behave in an exclusively self-interested way. There is a second question: If people behaved in an exclusively self-interested way, would they achieve certain specified successes, e.g. efficiency of one kind or another?²⁰ Both these propositions have been attributed to Adam Smith.²¹ In fact, however, there is little evidence that he believed in either proposition, contrary to the constant references to the 'Smithian' view on the ubiquity and efficiency of self-interested behaviour. The issue is worth discussing both because Smith was such a

special case of group-loyalty of a kind that can be seen to a smaller or larger extent in many types of economic activities involving team work by several people.

²⁰ The two main definitions of efficiency used in economics are respectively: (1) 'technical efficiency', requiring that no more of any output can be produced without producing less of some other output (treating inputs as negative outputs); and (2) 'economic efficiency', identified with 'Pareto optimality', which requires that no one can be made better off without making someone else worse off. In Chapter 2 the idea of 'economic efficiency' is critically examined.

²¹ The latter is the subject of Stephen Leacock's cheerful limerick:

'Adam, Adam, Adam Smith
Listen what I charge you with!
Didn't you say
In the class one day
That selfishness was bound to pay?
Of all doctrines that was the Pith,
Wasn't it, wasn't it, wasn't it, Smith?'

(Stephen Leacock, *Hellements of Hickonomics*, New York: Dodd,
Mead & Co., 1936, p. 75)

I am most grateful to Professor Elspeth Rostow for drawing my attention to this forceful presentation of a common interpretation of Adam Smith.

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central figure in the origin of economics *and* also because his treatment of the problem is, in fact, illuminating and useful.

Adam Smith and Self-interest

In his enjoyable essay on 'Smith's Travel on the Ship of the State', George Stigler begins with interpreting Smith's remark that 'although the principles of common *prudence* do not always govern the conduct of every individual, they always influence that of the majority of every class or order', as implying: '*self-interest* dominates the majority of men'.²² In fact, it is not accurate to identify 'prudence' with 'self-interest'. As Smith explains in *The Theory of Moral Sentiments*, prudence is 'the union of' the two qualities of 'reason and understanding', on the one hand, and 'self-command' on the other (Smith, 1790, p. 189). The notion of 'self-command', which Smith took from the Stoics,²³ is not in any sense identical with 'self-interest' or what Smith called 'self-love'.

Indeed, the Stoic roots of Smith's understanding of 'moral sentiments' also make it clear why both sympathy and self-discipline played such an important part in Smith's conception of good behaviour.²⁴ As Smith himself puts it, 'man, according to the Stoics, ought to regard himself, not as something separated and detached, but as a citizen of the world, a member of the vast commonwealth of nature',

²² Stigler (1975, p. 237); italics added.

²³ On the influence of Stoic thinkers on Adam Smith, see Raphael and Macfie (1976, pp. 5–11), and of course Smith's (1790) own extensive references to the Stoic literature.

²⁴ On the crucial role of self-discipline, particularly in the suppression of emotions, in the Stoic approach to ethics, see Nussbaum (1986b).

and 'to the interest of this great community, he ought at all times to be willing that his own little interest should be sacrificed' (p. 140). Even though prudence goes well beyond self-interest maximization, Smith saw it in general only as being 'of all virtues that which is most helpful to the individual', whereas 'humanity, justice, generosity, and public spirit, are the qualities most useful to others' (Smith, 1790, p. 189).

It is instructive to examine how it is that Smith's championing of 'sympathy', in addition to 'prudence' (including 'self-command'), has tended to be so lost in the writings of many economists championing the so-called 'Smithian' position on self-interest and its achievements. It is certainly true that Smith saw, as indeed anybody would, that many of our actions are, in fact, guided by self-interest, and some of them do indeed produce good results. One of the passages of Adam Smith that has been quoted again and again by the latter-day Smithians is the following: 'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages' (Smith, 1776, pp. 26–7).

While many admirers of Smith do not seem to have gone beyond this bit about the butcher and the brewer, a reading of even this passage would indicate that what Smith is doing here is to specify why and how normal transactions in the market are carried out, and why and how division of labour works, which is the subject of the chapter in which the quoted passage occurs. But the fact that Smith noted that mutually advantageous trades are very common does not indicate at all that he thought self-love alone, or indeed prudence broadly construed, could be adequate for a good society. Indeed, he maintained precisely the opposite. He did

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not rest economic salvation on some unique motivation.

In fact, Smith chastised Epicurus for trying to see virtue entirely in terms of prudence, and Smith seized the occasion to rap 'philosophers' on their knuckles for trying to reduce everything to some one virtue:

By running up all the different virtues too to this one species of propriety, Epicurus indulged in a propensity which is natural to all men, but which philosophers in particular are apt to cultivate with a peculiar fondness, as the great means of displaying their ingenuity, the propensity to account for all appearances from as few principles as possible.

(Smith 1790, p. 299)

It is a matter of some irony, that this 'peculiar fondness' would be attributed to Smith himself by his overenthusiastic admirers in making him the 'guru' of self-interest (contrary to what he actually said).²⁵

Smith's attitude to 'self-love' has something in common with that of Edgeworth, who thought that 'economical calculus' as opposed to ethical evaluation, was particularly relevant to two specific activities, to wit, 'war and contract'.²⁶ The reference to contract is of course precisely similar to Smith's reference to trade, because trade takes

²⁵ I have discussed the nature of this misrepresentation in a paper called 'Adam Smith's Prudence', Sen (1986b). See also Winch (1978) and Brennan and Lomasky (1986). On related matters, see Hollander (1973), Raphael (1985), Skinner and Wilson (1975), Rosenberg (1984).

²⁶ Edgeworth (1881, p. 52). As a good utilitarian Edgeworth refers only to utilitarianism as a possible ethical approach, but his general contrast between self-interested and ethical calculations is clear enough. See also Collard (1975).

place on the basis of mutually advantageous (explicit or implicit) contracts. But there are many other activities inside economics and outside it in which the simple pursuit of self-interest is not the great redeemer, and Smith did not assign a generally superior role to the pursuit of self-interest in any of his writings. The defence of self-interested behaviour comes in specific contexts, particularly related to various contemporary bureaucratic barriers and other restrictions to economic transactions which made trade difficult and hampered production.²⁷

One specific field in which Smith's economic analysis has been widely misinterpreted with grave consequences is that of famine and starvation. This issue relates to the place of the profit motive only indirectly. Smith did argue that though traders are often blamed for causing famines, they do not in fact cause them, and famines usually follow from what he called 'a real scarcity' (Smith, 1776, p. 526). He was opposed to suppressing or restricting trade. But this did not imply that he was against public support for the poor. Indeed unlike Malthus, Smith was not opposed to

²⁷ Smith emphasized very clearly the contemporary nature of many of his concerns. Indeed, he seemed to have been clinically concerned that the temporal context of his remarks should not be misunderstood. In fact, the 'Advertisement' for the third edition of the *Wealth of Nations*, was almost entirely devoted to clarifying the temporal context of his reference to 'the present state of things': 'The First Edition of the following Work was printed in the end of the year 1775, and in the beginning of the year 1776. Through the greater part of the Book, therefore, whenever the present state of things is mentioned, it is to be understood of the state they were in, either about that time or at some earlier period, during the time I was employed in writing the book. To this third Edition, however, I have made several additions . . . In all these additions, *the present state of things* means always the state in which they were during the year 1783 and the beginning of the present year 1784' (in the edition of Campbell and Skinner, Smith 1776, p. 8).

The Social Responsibility of Business is to Increase its Profits

by [Milton Friedman](#)

The New York Times Magazine, September 13, 1970. Copyright @ 1970 by The New York Times Company.

When I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system," I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with promoting desirable "social" ends; that business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.

The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack of rigor. What does it mean to say that "business" has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

Presumably, the individuals who are to be responsible are businessmen, which means individual proprietors or corporate executives. Most of the discussion of social responsibility is directed at corporations, so in what follows I shall mostly neglect the individual proprietors and speak of corporate executives.

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. Of course, in some cases his employers may have a different objective. A group of persons might establish a corporation for an eleemosynary purpose—for example, a hospital or a school. The manager of such a corporation will not have money profit as his objective but the rendering of certain services.

In either case, the key point is that, in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation or establish the eleemosynary institution, and his primary responsibility is to them.

Needless to say, this does not mean that it is easy to judge how well he is performing his task. But at least the criterion of performance is straightforward, and the persons among whom a voluntary contractual arrangement exists are clearly defined.

Of course, the corporate executive is also a person in his own right. As a person, he may have many other responsibilities that he recognizes or assumes voluntarily—to his family, his conscience, his feelings of charity, his church, his clubs, his city, his country. He may feel impelled by these responsibilities to devote part of his income to causes he regards as worthy, to refuse to work for particular corporations, even to leave his job, for example, to join his country's armed forces. If we wish, we may refer to some of these responsibilities as "social responsibilities." But in these respects he is acting as a principal, not an agent; he is spending his own money or time or energy, not the money of his employers or the time or energy he has contracted to devote to their purposes. If these are "social responsibilities," they are the social responsibilities of individuals, not of business.

What does it mean to say that the corporate executive has a "social responsibility" in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers. For example, that he is to refrain from increasing the price of the product in order to contribute to the social objective of preventing inflation, even though a price increase would be in the best interests of the corporation. Or that he is to make expenditures on reducing pollution beyond the amount that is in the best interests of the corporation or that is required by law in order to contribute to the social objective of improving the environment. Or that, at the expense of corporate profits, he is to hire "hardcore" unemployed instead of better qualified available workmen to contribute to the social objective of reducing poverty.

In each of these cases, the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money.

The stockholders or the customers or the employees could separately spend their own money on the particular action if they wished to do so. The executive is exercising a distinct "social responsibility," rather than serving as an agent of the stockholders or the customers or the employees, only if he spends the money in a different way than they would have spent it.

But if he does this, he is in effect imposing taxes, on the one hand, and deciding how the tax proceeds shall be spent, on the other.

This process raises political questions on two levels: principle and consequences. On the level of political principle, the imposition of taxes and the expenditure of tax proceeds are governmental functions. We have established elaborate constitutional, parliamentary and judicial provisions to control these functions, to assure that taxes are imposed so far as possible in accordance with the preferences and desires of the public—after all, "taxation without representation" was one of the battle cries of the American Revolution. We have a system of checks and balances to separate the legislative function of imposing taxes and enacting expenditures from the executive function of collecting taxes and administering expenditure programs and from the judicial function of mediating disputes and interpreting the law.

Here the businessman—self-selected or appointed directly or indirectly by stockholders—is to be simultaneously legislator, executive and, jurist. He is to decide whom to tax by how much and for what purpose, and he is to spend the proceeds—all this guided only by general exhortations from on high to restrain inflation, improve the environment, fight poverty and so on and on.

The whole justification for permitting the corporate executive to be selected by the stockholders is that the executive is an agent serving the interests of his principal. This justification disappears when the corporate executive imposes taxes and spends the proceeds for "social" purposes. He becomes in effect a public employee, a civil servant, even though he remains in name an employee of a private enterprise. On grounds of political principle, it is intolerable that such civil servants—insofar as their actions in the name of social responsibility are real and not just window-dressing—should be selected as they are now. If they are to be civil servants, then they must be elected through a political process. If they are to impose taxes and make expenditures to foster "social" objectives, then political machinery must be set up to make the assessment of taxes and to determine through a political process the objectives to be served.

This is the basic reason why the doctrine of "social responsibility" involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses.

On the grounds of consequences, can the corporate executive in fact discharge his alleged "social responsibilities?" On the other hand, suppose he could get away with spending the stockholders' or customers' or employees' money. How is he to know how to spend it? He is told that he must contribute to fighting inflation. How is he to know what action of his will contribute to that end? He is presumably an expert in running his company—in producing a product or selling it or financing it.

But nothing about his selection makes him an expert on inflation. Will his holding down the price of his product reduce inflationary pressure? Or, by leaving more spending power in the hands of his customers, simply divert it elsewhere? Or, by forcing him to produce less because of the lower price, will it simply contribute to shortages? Even if he could answer these questions, how much cost is he justified in imposing on his stockholders, customers and employees for this social purpose? What is his appropriate share and what is the appropriate share of others?

And, whether he wants to or not, can he get away with spending his stockholders', customers' or employees' money? Will not the stockholders fire him? (Either the present ones or those who take over when his actions in the name of social responsibility have reduced the corporation's profits and the price of its stock.) His customers and his employees can desert him for other producers and employers less scrupulous in exercising their social responsibilities.

This facet of "social responsibility" doctrine is brought into sharp relief when the doctrine is used to justify wage restraint by trade unions. The conflict of interest is naked and clear when union officials are asked to subordinate the interest of their members to some more general purpose. If the union officials try to enforce wage restraint, the consequence is likely to be wildcat strikes, rank-and-file revolts and the emergence of strong competitors for their jobs. We thus have the ironic phenomenon that union leaders—at least in the U.S.—have objected to Government interference with the market far more consistently and courageously than have business leaders.

The difficulty of exercising "social responsibility" illustrates, of course, the great virtue of private competitive enterprise—it forces people to be responsible for their own actions and makes it difficult for them to "exploit" other people for either selfish or unselfish purposes. They can do good—but only at their own expense.

Many a reader who has followed the argument this far may be tempted to remonstrate that it is all well and good to speak of Government's having the responsibility to impose taxes and determine expenditures for such "social" purposes as controlling pollution or training the hard-core unemployed, but that the problems are too urgent to wait on the slow course of political processes, that the exercise of social responsibility by businessmen is a quicker and surer way to solve pressing current problems.

Aside from the question of fact—I share Adam Smith's skepticism about the benefits that can be expected from "those who affected to trade for the public good"—this argument must be rejected on grounds of principle. What it amounts to is an assertion that those who favor the taxes and expenditures in question have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by

democratic procedures. In a free society, it is hard for "evil" people to do "evil," especially since one man's good is another's evil.

I have, for simplicity, concentrated on the special case of the corporate executive, except only for the brief digression on trade unions. But precisely the same argument applies to the newer phenomenon of calling upon stockholders to require corporations to exercise social responsibility (the recent G.M. crusade for example). In most of these cases, what is in effect involved is some stockholders trying to get other stockholders (or customers or employees) to contribute against their will to "social" causes favored by the activists. Insofar as they succeed, they are again imposing taxes and spending the proceeds.

The situation of the individual proprietor is somewhat different. If he acts to reduce the returns of his enterprise in order to exercise his "social responsibility," he is spending his own money, not someone else's. If he wishes to spend his money on such purposes, that is his right, and I cannot see that there is any objection to his doing so. In the process, he, too, may impose costs on employees and customers. However, because he is far less likely than a large corporation or union to have monopolistic power, any such side effects will tend to be minor.

Of course, in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions.

To illustrate, it may well be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects. Or it may be that, given the laws about the deductibility of corporate charitable contributions, the stockholders can contribute more to charities they favor by having the corporation make the gift than by doing it themselves, since they can in that way contribute an amount that would otherwise have been paid as corporate taxes.

In each of these—and many similar—cases, there is a strong temptation to rationalize these actions as an exercise of "social responsibility." In the present climate of opinion, with its wide spread aversion to "capitalism," "profits," the "soulless corporation" and so on, this is one way for a corporation to generate goodwill as a by-product of expenditures that are entirely justified in its own self-interest.

It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing because it harms the foundations of a free society. That would be to call on them to exercise a "social responsibility"! If our institutions, and the attitudes of the public make it in their self-interest to cloak their actions in this way, I cannot summon much indignation to denounce them. At the same time, I can express admiration for those individual proprietors or owners

of closely held corporations or stockholders of more broadly held corporations who disdain such tactics as approaching fraud.

Whether blameworthy or not, the use of the cloak of social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society. I have been impressed time and again by the schizophrenic character of many businessmen. They are capable of being extremely farsighted and clearheaded in matters that are internal to their businesses. They are incredibly short-sighted and muddleheaded in matters that are outside their businesses but affect the possible survival of business in general. This short-sightedness is strikingly exemplified in the calls from many businessmen for wage and price guidelines or controls or income policies. There is nothing that could do more in a brief period to destroy a market system and replace it by a centrally controlled system than effective governmental control of prices and wages.

The short-sightedness is also exemplified in speeches by businessmen on social responsibility. This may gain them kudos in the short run. But it helps to strengthen the already too prevalent view that the pursuit of profits is wicked and immoral and must be curbed and controlled by external forces. Once this view is adopted, the external forces that curb the market will not be the social consciences, however highly developed, of the pontificating executives; it will be the iron fist of Government bureaucrats. Here, as with price and wage controls, businessmen seem to me to reveal a suicidal impulse.

The political principle that underlies the market mechanism is unanimity. In an ideal free market resting on private property, no individual can coerce any other, all cooperation is voluntary, all parties to such cooperation benefit or they need not participate. There are no values, no "social" responsibilities in any sense other than the shared values and responsibilities of individuals. Society is a collection of individuals and of the various groups they voluntarily form.

The political principle that underlies the political mechanism is conformity. The individual must serve a more general social interest—whether that be determined by a church or a dictator or a majority. The individual may have a vote and say in what is to be done, but if he is overruled, he must conform. It is appropriate for some to require others to contribute to a general social purpose whether they wish to or not.

Unfortunately, unanimity is not always feasible. There are some respects in which conformity appears unavoidable, so I do not see how one can avoid the use of the political mechanism altogether.

But the doctrine of "social responsibility" taken seriously would extend the scope of the political mechanism to every human activity. It does not differ in philosophy

from the most explicitly collectivist doctrine. It differs only by professing to believe that collectivist ends can be attained without collectivist means. That is why, in my book *Capitalism and Freedom*, I have called it a "fundamentally subversive doctrine" in a free society, and have said that in such a society, "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 is to say, engages in open and free competition without deception or fraud."

Business ethics

ROBERT C. SOLOMON

The public be damned. I'm working for my stockholders.

WILLIAM VANDERBILT

i Introduction

BUSINESS ethics occupies a peculiar position in the field of 'applied' ethics. Like its kin in such professions as medicine and law, it consists of an uneasy application of some very general ethical principles (of 'duty' or 'utility' for example) to rather specific and often unique situations and crises. But unlike them, business ethics is concerned with an area of human enterprise whose practitioners do not for the most part enjoy professional status and whose motives, to put it mildly, are often thought (and said) to be less than noble. 'Greed' (formerly 'avarice') is often cited as the sole engine of business life, and much of the history of business ethics, accordingly, is not very flattering to business. In one sense, one can trace that history back into medieval and ancient times, where, in addition to the attacks on business in philosophy and religion, such practical thinkers as Cicero gave careful attention to the question of fairness in ordinary business transactions. But for much of this history, too, the focus of attention was almost entirely on such particular transactions, surrounding the field with a strong sense of the *ad hoc*, an allegedly non-philosophical practice which was more often than not dismissed as 'casuistry'.

Accordingly, the subject of business ethics as currently practised is not much over a decade old. Only ten years ago, the subject was still an awkward amalgam of a routine review of ethical theories, a few general considerations about the fairness of capitalism, and a number of already-standard business cases – most of them disgraces, scandals and disasters displaying the corporate world at its worst and its most irresponsible. Business ethics was a topic without credentials in 'mainstream' philosophy, without conceptual subject matter of its own. It was too practical-minded even for 'applied ethics' and, in a philosophical world enamoured with unworldly ideas and merely 'possible' worlds, business ethics was far too concerned with the vulgar currency of everyday exchange – money.

But philosophy itself has tilted again toward the 'real world', and business ethics has found or made its place in the junction between the two. New applications and renewed sophistication in game theory and social choice theory have allowed the introduction of more formal analysis in business ethics, and, much more important, the interaction with and the submersion of business ethics

practitioners in the working world of corporate executives, labour unions and small business owners has consolidated the once awkwardly amalgamated elements of business ethics into a subject matter, attracted the interest and attention of business leaders and turned once 'academic' practitioners into active participants in the business world. Sometimes, one might add, they even get listened to.

ii A brief history of business ethics

In a broad sense, business has been around at least since the ancient Sumerians who (according to Samuel Noah Kramer) carried out extensive trading and record-keeping nearly six thousand years ago. But business has not always been the central and respectable enterprise that it is in modern society, and the ethical view of business for most of history has been almost wholly negative. Aristotle, who deserves recognition as the first economist (two thousand years before Adam Smith) distinguished two different senses of what we call economics; one of them, *oikonomikos* or household trading, which he approved of and thought essential to the working of any even modestly complex society, and *chrematisike* which is trade for profit. Aristotle declared such activity wholly devoid of virtue and called those who engaged in such purely selfish practices 'parasites'. Aristotle's attack on the unsavoury and unproductive practice of 'usury' held force virtually until the seventeenth century. Only outsiders at the fringe of society, not respectable citizens, engaged in such practices. (Shakespeare's Shylock, in *The Merchant of Venice*, was an outsider and a usurer.) This, on a large historical canvas, is the history of business ethics – the wholesale attack on business and its practices. Jesus chased the money-changers from the temple, and Christian moralists from Paul to Thomas Aquinas and Martin Luther followed his example, roundly condemning most of what we today honour as 'the business world'.

But if business ethics as condemnation was led by philosophy and religion, so too was the dramatic turn-around towards business in early modern times. John Calvin and then the English Puritans taught the virtues of thrift and enterprise, and Adam Smith canonized the new faith in 1776 in his masterwork, *The Wealth of Nations*. Of course, the new attitude to business was not an overnight transformation and was built on traditions with a long history. The medieval guilds, for example, had established their own industry-specific codes of 'business ethics' long before business became the central institution of society, but the general acceptance of business and the recognition of economics as a central structure of society depended on a very new way of thinking about society that required not only a change in religious and philosophical sensibilities but, underlying them, a new sense of society and even of human nature. This transformation can be partly explained in terms of urbanization, larger more centralized societies, the privatization of family groups as consumers, rapidly advancing technology, the growth of industry and the accompanying development of social structures, needs and desires. With Adam Smith's classic work, *chrematisike* became the central institution and primary virtue of modern society. But the

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degraded popular ('greed is good') version of Smith's thesis was hardly conducive to the subject of business ethics ('isn't that a contradiction in terms?'), and moralizing about business retained its ancient and medieval bias against business. Businessmen like Mellon and Carnegie gave public lectures on the virtues of success and the *noblesse oblige* of the rich, but business ethics as such was for the most part developed by socialists, as a continued diatribe against the amorality of business thinking. It is only very recently that a more moral and more honourable way of viewing business has begun to dominate business talk, and with it has come the idea of studying the underlying values and ideals of business. We can readily understand how freedom of the market will always be a threat to traditional values and antagonistic to government control, but we no longer so glibly conclude that the market itself is without values or that governments better serve the public good than markets.

iii The myth of the profit motive

Business ethics is no longer concerned solely or primarily with the criticism of business and business practice. Profits are no longer condemned along with 'avarice' in moralizing sermons, and corporations are no longer envisioned as faceless, souless, amoral monoliths. **The new concern is just how profit should be thought of in the larger context of productivity and social responsibility and how corporations as complex communities can best serve both their own employees and the surrounding society.** Business ethics has evolved from a wholly critical attack on capitalism and 'the profit motive' to a more productive and constructive examination of the underlying rules and practices of business. But the old paradigm – what **Richard DeGeorge has called 'the myth of amoral business'** – persists, not only among the suspicious public and some socialist-minded philosophers but among many businesspeople themselves. The first task in business ethics, accordingly, is to clear the way through some highly incriminating myths and metaphors, which obscure rather than clarify the underlying ethos that makes business possible.

Every discipline has its own self-glorifying vocabulary. Politicians bask in the concepts of 'public service' while they pursue personal power, lawyers defend our 'rights' on the basis of handsome fees – and professors describe what they do in the noble language of 'truth and knowledge' while they spend most of their time and energy in campus politics. But in the case of business the self-glorifying language is often especially unflattering. **For example, executives still talk about what they do in terms of 'the profit motive', not realizing that the phrase was invented by the last century's socialists as an attack on business and its narrow-minded pursuit of money to the exclusion of all other considerations and obligations. To be sure, a business does aim to make a profit, but it does so only by supplying quality goods and services, by providing jobs and by 'fitting in' to the community. To single out profits rather than productivity or public service as the central aim of business activity is just asking for trouble. Profits are not as such**

the end or goal of business activity: profits get distributed and reinvested. Profits are a means to building the business and rewarding employees, executives and investors. **For some people, profits may be a means of 'keeping score', but even in those cases, it is the status and satisfaction of 'winning' that is the goal, not profits as such.**

A more sophisticated but not dissimilar executive self-image states that the managers of a business are bound above all by one and only one obligation, to maximize the profits for their stockholders. We need not inquire whether this is the actual motive behind most upper management decisions in order to point out that, while managers do recognize that their own business roles are defined primarily by obligations rather than the 'profit motive', that unflattering image has simply been transferred to the stockholders (i.e. the owners). Is it true that investors/owners care *only* about the maximization of their profits? Is it the stockholder, finally, who is the incarnation of that inhuman *homo economicus* who is utterly devoid of civic responsibility and pride, who has no concern for the virtues of the company he or she (or it?) owns, apart from those liabilities that might render one vulnerable to expensive law suits? And if some four-month 'in and out' investors do indeed care only about increasing their investments by 30 per cent or so, why are we so certain that the managers of the firm have *any* obligation to them other than not to intentionally fritter away or waste their money? **The pursuit of profits is not the ultimate, much less the only goal of business. It is rather one of many goals and then by way of a means and not an end-in-itself.**

This is how we misunderstand business: we adopt a too narrow vision of what business is, e.g. the pursuit of profits, and then derive unethical or amoral conclusions. It is this inexcusably limited focus on the 'rights of the stockholders', for example, that has been used to defend some of the very destructive and certainly unproductive 'hostile takeovers' of major corporations in the last few years. To say this is not to deny the rights of stockholders to a fair return, of course, nor is it to deny the 'fiduciary responsibilities' of the managers of a company. It is only to say that these rights and responsibilities make sense only in a larger social context and that the very idea of 'the profit motive' as an end in itself – as opposed to profits as a means of encouraging and rewarding hard work and investment, building a better business and serving society better – is a serious obstacle to understanding the rich tapestry of motives and activities that make up the business world.

iv Other business myths and metaphors

Among the most damaging myths and metaphors in business talk are those **macho 'Darwinian' concepts of 'survival of the fittest' and 'it's a jungle out there'**. (For the origin of these concepts, see Article 44, THE SIGNIFICANCE OF EVOLUTION.) The underlying idea, of course, is that life in business is competitive, and it isn't always fair. But that obvious pair of points is very different from the 'dog-eat-dog', 'every [man] for [him]self' imagery that is routine in the business world. It is true

that business is and must be competitive, but it is not true that it is cut-throat or cannibalistic or that 'one does whatever it takes to survive'. However competitive a particularly industry may be, it always rests on a foundation of shared interests and mutually agreed-upon rules of conduct, and the competition takes place not in a jungle but in a community which it presumably both serves and depends upon. Business life is first of all fundamentally *co-operative*. It is only within the bounds of mutually shared concerns that competition is possible. And quite the contrary of the 'every animal for itself' jungle metaphor, business almost always involves large co-operative and mutually trusting groups, not only corporations themselves but networks of suppliers, service people, customers and investors. Competition is essential to capitalism, but to misunderstand this as 'unbridled' competition is to undermine ethics and misunderstand the nature of competition too. (So, too, we should look with suspicion upon the familiar 'war' metaphor that is popular in so many boardrooms and the current 'game' metaphor and the emphasis of 'winning' that tends to turn the serious business of 'making a living' into something of a self-enclosed sport.)

The most persistent metaphor, which seems to endure no matter how much evidence is amassed against it, is *atomistic individualism*, the idea that business life consists wholly of mutually agreed-upon transactions between individual citizens (avoiding government interference) can be traced back to Adam Smith and the philosophy which dominated eighteenth-century Britain. But most of business life today consists of roles and responsibilities in co-operative enterprises, whether they be small family businesses or gigantic multi-national corporations. Government and business are as often partners as opponents (however frustrating the labyrinth of 'regulation' may sometimes seem), whether by way of subsidies, tariffs and tax breaks or as an intimate co-operative enterprise ('Japan, Inc.' and such grand projects as the National Aeronautics and Space Administration space shuttle.) But atomistic individualism is not only inaccurate in the face of the corporate complexity of today's business world; it is naïve in its supposition that no institutional rules and practices underlie even the simplest promise, contract or exchange. Business is a social practice, not an activity of isolated individuals. It is possible only because it takes place in a culture with an established set of procedures and expectations, and these are not (except in the details) open to individual tinkering.

Accordingly, it is a sign of considerable progress that one of the dominant models of today's corporate thinking is the idea of a 'corporate culture'. As with any analogy, there are, of course, disanalogies, but it is important to appreciate the virtue of this metaphor. It is social, and rejects atomistic individualism. It recognizes the place of people in the organization as the fundamental structure of business life. It openly embraces the idea of ethics. It recognizes that shared values hold a culture together. There is still room for that individualistic maverick, the 'entrepreneur', but he or she too is possible only insofar as there is a role (an important one) for eccentricity and innovation. But the problem with the 'culture' metaphor, too, is that it tends to be too self-enclosed. A corporation is not like an isolated tribe in the Trobriand Islands. A corporate culture is an inseparable part

of a larger culture, at most a sub-culture (or a sub-sub-culture), a specialized organelle in an organ in an organism. Indeed, it is the tendency to see business as an isolated and insulated endeavour, with values different from the values of the surrounding society, that characterizes all of these myths and metaphors. Breaking down this sense of isolation is the first task of business ethics.

v Micro-, macro- and molar ethics

We might well distinguish between three (or more) levels of business and business ethics, from the *micro* – the rules for fair exchange between two individuals, to the *macro* – the institutional or cultural rules of commerce for an entire society ('the business world'). We should also carve out an area which we can call the *molar* level of business ethics, concerning the basic unit of commerce today – the corporation. Micro-ethics in business, of course, is very much part and parcel of much of traditional ethics – the nature of promises and other obligations, the intentions, consequences and other implications of an individual's actions, the grounding and nature of various individual rights. What is peculiar to business micro-ethics is the idea of a fair exchange and, along with it, the notion of a fair wage, fair treatment, what counts as a 'bargain' and what instead is a 'steal'. Aristotle's notion of 'commutative' justice is particularly at home here, and even the ancients used to worry, from time to time, whether, for example, the seller of a house was obliged to tell a potential buyer that the roof had had its day and might start to leak at the first heavy rains.

Macro-ethics, in turn, becomes part and parcel of those large questions about justice, legitimacy and the nature of society that constitute social and political philosophy. What is the purpose of the 'free market' – or is it in some sense a good of its own, with its own *telos*? Are private property rights primary, in some sense preceding social convention (as John Locke and more recently Robert Nozick have argued), or is the market too to be conceived as a complex social practice in which rights are but one ingredient? Is the free market system 'fair'? Is it the most efficient way to distribute goods and services throughout society? Does it pay enough attention to cases of desperate need (where a 'fair exchange' is not part of the question)? Does it pay enough attention to merit, where it is by no means guaranteed that virtue will be in sufficient demand so as to be rewarded? What are the legitimate (and illegitimate) roles of government in business life, and what is the role of government regulation? Macro-ethics, in other words, is an attempt to take in the 'big picture', to understand the nature of the business world and its functions as such.

The definitive 'molar' unit of modern business, however, is the corporation, and the central questions of business ethics tend to be unabashedly aimed at the directors and employees of those few thousand or so companies that rule so much of commercial life around the world. In particular, they are questions that concern the role of the corporation in society and the role of the individual in the corporation. Not surprisingly, many of the most challenging issues are found in the interstices of the three levels of ethical discourse, for instance, the question of

what we discussed in the class on distributive justice

corporate social responsibility – the role of the corporation in the larger society, and questions of job-defined responsibilities – the role of the individual in the corporation.

vi The corporation in society: the idea of social responsibility

The central concept of much of recent business ethics is the idea of social responsibility. It is also a concept that has irritated many traditional free market enthusiasts and prompted a number of bad or misleading arguments. Perhaps the most famous of these is the diatribe by Nobel-winning economist Milton Friedman in *The New York Times* (13 September 1970) entitled 'The social responsibility of business is to increase its profits'. In this article, he called businessmen who defended the idea of corporate social responsibility 'unwitting puppets of the intellectual forces that have been undermining the basis of a free society' and accused them of 'preaching pure and unadulterated socialism'. Friedman's argument is, in essence, that managers of a corporation are the employees of the stockholders and, as such, have a 'fiduciary responsibility' to maximize their profits. Giving money to charity or other social causes (except as public relations aimed at increasing business) and getting involved in community projects (which do not increase the company's business) is akin to stealing from the stockholders. Furthermore, there is no reason to suppose that a corporation or its officers have any special skill or knowledge in the realm of public policy, and so they are over-extending their competence as well as violating their obligations when they get involved in community activities (that is, as managers of the company, not as individual citizens acting on their own).

Some of the fallacies involved in such reasoning are consequent to the narrow 'profit-minded' view of business and the extremely unflattering and unrealistic one-dimensional portrait of the stockholder that we mentioned earlier; others ('pure unadulterated socialism' and 'stealing') are rather excesses of rhetoric. The 'competence' argument (also defended by Peter Drucker in his influential book on *Management*) makes sense only insofar as corporations undertake social engineering projects that are indeed beyond their abilities; but does it require special skills or advanced knowledge to be concerned about discriminatory hiring or promotion practices within your own company or the devastating effects of your waste products on the surrounding countryside? The overall rejoinder to Friedmannesque arguments of this sort that has recently become popular in business ethics can be summarized in a modest pun: instead of the 'stockholder' the beneficiaries of corporate social responsibilities are the *stakeholders*, of whom the stockholders are but a single sub-class. **The stakeholders in a company are all of those who are affected and have legitimate expectations and rights regarding the actions of the company, and these include the employees, the consumers and the suppliers as well as the surrounding community and the society at large. The virtue of this concept is that it greatly expands the focus of corporate concern, without losing sight of the particular virtues and capacities of the corporation itself.** Social responsibility, so considered, is not an additional burden on the

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corporation but part and parcel of its essential concerns, to serve the needs and be fair to not only its investors/owners but those who work for, buy from, sell to, live near or are otherwise affected by the activities that are demanded and rewarded by the free market system.

vii Obligations to stakeholders: consumers and community

The managers of corporations have obligations to their shareholders, but they have obligations to other stakeholders as well. In particular, they have obligations to consumers and the surrounding community as well as to their own employees (see section (viii)). The purpose of the corporation, after all, is to serve the public, both by way of providing desired and desirable products and services and by not harming the community and its citizens. For example, a corporation is hardly serving its public purpose if it is polluting the air or the water supply, if it is snarling traffic or hogging communal resources, if it is (even indirectly) promoting racism or prejudice, if it is destroying the natural beauty of the environment or threatening the financial or social well-being of the local citizens. To consumers, the corporation has the obligation to provide quality products and services. It has the obligation to make sure that these are safe, through research and through appropriate instructions and, where appropriate, warnings against possible misuse. Manufacturers are and should be liable for dangerous effects and predictable abuse of their products, e.g. the likelihood of a young child swallowing a small, readily detachable piece of a toy made specially for that age group, and it is now suggested by some consumer advocate groups that such liability should not be excessively qualified by the excuse that 'these were mature adults and knew or should have known the risks of what they were doing'. This last demand, however, points to a number of currently problematic concerns, notably, the general presumption of maturity, intelligence and responsibility on the part of the consumer and the question of reasonable limits of liability on the part of the producer. (Special considerations obviously apply to children.) To what extent should the manufacturer take precautions against clearly idiosyncratic or even idiotic uses of their products? What restrictions should there be on manufacturers who sell and distribute provably dangerous products, e.g. cigarettes and firearms – even if there is considerable consumer demand for such items – and should the producer be liable for what is clearly a foreseeable risk on the part of the consumer? Indeed, it is increasingly being asked whether and to what extent we should reinstate that now ancient caveat, 'Buyer beware', to counteract the runaway trend toward consumer irresponsibility and unqualified corporate liability.

Consumer intelligence and responsibility are also at issue in the much-debated topic of advertising, against which some of the most serious criticisms of current business practices have been directed. The classic defence of the free market system is that it supplies and satisfies existing demands. But if manufacturers actually *create* the demand for the products they produce, then this classic defence is clearly undermined. Indeed, it has even been charged that advertising is itself coercive in that it interferes with the free choice of the consumer, who is no longer in a

position to decide how best to satisfy his or her needs but has instead been subjected to a barrage of influences which may well be quite irrelevant or even opposed to those needs. And even where the desirability of the product is not in question, there are very real questions about the advertising of particular brand names and the artificial creation of 'product differentiation'. And then there are those familiar questions of taste – on the borderline (and sometimes over) between ethics and aesthetics. There is the use of sex – often seductive and sometimes quite undisguised – to enhance the appeal of products from chewing gum to automobiles; there are the implied but obviously false promises of social success and acceptability if only one buys this soap or toothpaste; and there are the offensive portrayals of women and minorities and often of human nature as such, just in order to sell products that most of us could perfectly well do without. But is such superfluous consumption and the taste (or lack of it) that sells it an ethical issue? Is anyone actually expected to believe that his or her life will change with an added hint of mint or a waxless, yellow-free kitchen floor?

Much more serious, of course, is outright lying in advertising. But what counts as a 'lie' is by no means straightforward in this world of seduction, kitsch and hyperbole. No-one, perhaps, will actually believe that a certain toothpaste or pair of designer jeans will guarantee your success with the lover of your dreams (though millions are willing to take the chance, just in case), but when a product has effects that may well be fatal, the accuracy of advertising is put under much closer scrutiny. When a medical product is advertised on the basis of misleading, incomplete or simply untrue technical information, when an over-the-counter 'cold remedy' is sold with the promise but without any hard evidence that it can relieve symptoms and prevent complications, when known and dangerous side-effects are hidden behind a generic 'with this as with all medicines, check with your doctor', then seemingly simple 'truth in advertising' becomes a moral imperative and ethical principles (if not the law) have been violated.

It has often been argued that in an ideally functioning free market the only advertising that should be either necessary or permitted is pure information regarding the use and qualities of the product. But in certain circumstances, the average consumer may neither have nor be able to understand the relevant information concerning the product in question. In a great many cases, however, consumers take too little responsibility for their own decisions, and one cannot properly blame advertising for their irresponsibility or irrationality. Corporations have responsibilities to their customers, but consumers have responsibilities too. As so often, business ethics is not a question of corporate responsibility alone but an interlocking set of mutual responsibilities.

viii The individual in the corporation: responsibilities and expectations

Perhaps the most abused stakeholder in the pattern of corporate responsibilities is the company employee. In traditional free market theory, the employee's labour is itself just one more commodity, subject to the laws of supply and demand. But whereas one can sell at 'firesale' prices or simply dispose of pins or parts of

machinery that are no longer in demand, the employee is a human being, with very real needs and rights quite apart from his or her role in production or in the market. Cramped uncomfortable working space or long, gruelling hours for employees may reduce overhead or increase productivity, and paying subsistence wages to employees who for one reason or another cannot, dare not or do not know how to complain may increase profits, but such conditions and practices are now recognized by all but the most unreconstructed 'Darwinian' to be highly unethical and legally inexcusable. And yet, the 'commodity' model of labour still holds powerful sway over much business thinking, concerning managers and executives as well as workers both skilled and unskilled. It is for this reason that much of recent business ethics has focused on such notions as employees' rights and, from a very different angle, it is for this reason too that the old notion of 'company loyalty' had come back into focus. After all, if a company treats its employees as nothing but disposable parts, no-one should be surprised if the employees start treating the company as nothing but a transient source of wages and benefits.

The other side of this disturbing picture, however, is the equally renewed emphasis on the notion of employee roles and responsibilities, one of which is loyalty to the company. It cannot be over-emphasized that 'loyalty' here is a two-way concern; the employee may by virtue of his or her employment have special obligations to the company but the company has its obligations to the employee in turn. But there is a danger in stressing such concepts as 'loyalty' without being very clear that loyalty is tied not just to employment in general but to one's particular role and responsibilities as well. A role, according to R. S. Downie, is 'a cluster of rights and duties with some sort of social function' – in this case, a function in the corporation. (*Roles and Values*, p. 128.) Certain aspects of one's role and responsibilities may be specified in an employment contract and in the law, but many of them – for example, the local customs, patterns of deference and other aspects of what we earlier called 'the corporate culture' – may become evident only with time on the job and continued contact with other employees. Moreover, it is not just a matter of 'doing one's job' but, as a matter of ethics as well as economics, doing one's job as well as possible. Norman Bowie says in this regard, I think rightly, 'A job is never just a job'. It also has a moral dimension: pride in one's product, co-operation with one's colleagues and concern for the well-being of the company. But, of course, such role-defined obligations have their limits (however conveniently some managers tend to deny this). Business is not an end in itself but is embedded in and supported by a society that has other, overriding concerns, norms and expectations.

We sometimes hear employees (and even high level executives) complain that their 'corporate values conflict with their personal values'. What this usually means, I suggest, is that certain demands made by their companies are unethical or immoral. What most people call their 'personal values' are in fact the deepest and broadest values of their culture. And it is in this context that we should understand that now-familiar tragic figure of contemporary corporate life – the 'whistle-blower'. The whistle-blower is not just some eccentric who cannot 'fit'

corporate values
conflict with
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values

into the organization he or she threatens with disclosure. The whistle-blower recognizes that he or she cannot tolerate the violation of morality or the public trust and feels obliged actually to do something about it. The biographies of most whistle-blowers do not make happy reading, but their very existence and occasional success is ample testimony to the interlocking obligations of the corporation, the individual and society. Indeed, perhaps the most singularly important result of the emergence of business ethics in the public forum has been to highlight such individuals and give renewed respectability to what their employers wrongly perceive as nothing but a breach of loyalty. But when the demands of doing business conflict with the morality or well-being of society, it is business that has to yield, and this, perhaps, is the ultimate point of business ethics.

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