Review Essay: Al Gini and Alexei Marcoux's *The Ethics of Business: A Concise Introduction*

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Those who teach introductory business ethics with some regularity often find that choosing an appropriate text is difficult. To be blunt, many business ethics texts have a tone of skepticism toward (if not downright suspicion of) the very institution they seek to analyze ethically. The result is often analogous to what one might expect of a text on the philosophy of sex and love written by a religious celibate.

There is now a nice little text that doesn't suffer from that flaw. *The Ethics of Business*, by Al Gini and Alexei Marcoux (hereafter, Gini/Marcoux), is a spirited and insightful introduction to this widely taught subject.[1]

In the first chapter, the authors discuss both the layout of the text and their perspective in writing it. They point to James Rachels's classic short text (*The Elements of Moral Philosophy*[2]) as a model. Just as Rachels tried to define what ethics is about and sketch a "minimal" conception of morality (which he defined as an effort to guide your conduct by reason), Gini/Marcoux want not to survey the burgeoning field of business ethics, but to define the field and sketch a minimal conception of how to do business ethically.

The authors trace the origins of the field to Raymond Baumhart's text, *An Honest Profit: What Businessmen Say about Ethics in Business.*[3] While the field of business ethics grew in a way Baumhart never imagined, the authors approve of his original idea of putting the focus on *individuals* rather than *institutions.*

Parenthetically, I am not sure that this is the best approach. The institution of business, like that of the family or government, is very much defined, shaped, and constrained by the specific legal and economic structures

[1] Al Gini and Alexei Marcoux, *The Ethics of Business: A Concise Introduction* (Lanham, MD: Rowman & Littlefield, 2012).

[2] James Rachels, *The Elements of Moral Philosophy* (New York: McGraw-Hill, 1986).

[3] Raymond Baumhart, *An Honest Profit: What Businessmen Say about Ethics in Business* (Boston, MA: Holt, Rinehart, and Winston, 1968).

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which actors in that institution are constantly considering in decision making. In other words, business activity is like a game in one major sense: it is conducted in accordance with rules, rules generally not set by the players in the game.

Gini/Marcoux then note that their book differs from other ethics texts. The authors note that most contemporary texts almost exclusively discuss big business, as if every business ethics student will be a top executive at a Fortune 500 company. The authors nicely point out that most businesspeople work at small businesses, and that the principles of business ethics should be applicable to businesses of all sizes.

In this the authors are correct, but it would have been useful if they had made two further points here. To begin with, not just "most" businesses are small, but virtually *all* of them are. Looking at the federal Small Business Administration's (SBA's) data, there were roughly 28 million businesses in the U.S. in 2010.[4] Under the SBA definition of "small business" (one employing fewer than 500 employees), about 99.7% of all American businesses are small—27.9 million small businesses, versus less than 20,000 large firms. Small business creates nearly two-thirds of all net new private sector jobs. More strikingly, in firms that produce a high number of patents (fifteen or more over four years), small firms produced about sixteen times the patents per employee than large firms did.

Moreover, a point that the authors don't make is that failure is the norm in business. Again, citing the SBA's own data, only about half of all new businesses survive for five years or more, and only a third survive for ten years or more.

Gini/Marcoux also make the point that the typical business ethics text is reformist in tone, that is, it usually pushes various policy prescriptions for regulatory and legal changes to control business activity. As the authors note, this suggests to the student the bizarre message that business is inherently immoral and needs profound reform. (This is usually reinforced by case studies—such as Enron—of wickedly bad business behavior.)

But there is a more important reason to be wary of the reformist *weltanschauung* of the typical business ethics text: "reform" invariably means "reform by government." There is a Hegelian cast of mind informing most business ethics texts that views business as the realm of unfettered egoism, while government is the realm of disinterested altruism. This view was always naive, but after the extensive work done by economists in what has come to be called "Public Choice Theory" (not mentioned in any business ethics text of which I am aware, even the one under review), the view is *empirically* simply untenable. Government is no less a realm of self-interest than business is itself.

The authors add that rather than dwelling on moral dilemmas in business (often with no resolution offered), they want to set out "action-

[4] Accessed online at: http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf.

guiding principles"—principles that seek to tell us what we ought to do—as opposed to principles of justification of why we should do it. And those action-guiding principles should not have to rest upon any single ethical theory.

Moreover, rather than take a "topical" approach (examining, say, first worker rights, then worker responsibilities, then ethical issues in production, then in marketing, and so on), the authors aim at examining the moral features of business generally. So, for example, they have a chapter on trust and truth in business, which is an issue that arises no less in the human resources department than in the marketing and sales departments.

Having set out their general perspective, Gini/Marcoux then take up particular issues. In Chapter 2, they take up the fundamental question of what "business" is.

They point out that "business" is a noun—a business is an entity, a *firm*. But "business" is also a verb—it refers to an activity, and that it is more useful first to focus on the activity. Just as a hospital is an entity supporting medical activity, a firm is an entity supporting business activity. "Doing business" they define most centrally as executing exchange transactions, that is, the act of trading.

But business activity is not limited merely to engaging in exchange transactions. Not all trading opportunities are obvious and immediate. They often have to be sought out, like finding a convenient store or (more creatively) identifying a potential market, that is, a potential demand for a product not yet invented or well known. Not only is creativity involved in inventing new products or services, but it is involved in imagining the customer, that is, developing the customer base.

This leads Gini/Marcoux to make the Schumpeterian point that business is an *entrepreneurial* activity, one that isn't just a transaction-executing, but a transaction-seeking one.

Besides exchange transactions, business activity involves bargaining or negotiation. Businesspeople negotiate with consumers when they set (and change) prices, with suppliers when they buy inputs, and with employees when they determine compensation for labor.

Now, transaction-seeking, negotiation, and transaction-execution aren't activities exclusive to business, the authors concede. Private charitable organizations, for example, also engage in these activities. So do people engaged in hobbies. I would add that from the perspective of Public Choice Theory (mentioned above), politics also involves these activities, as does family life (if economists like Gary Becker are right). But the authors note that what makes a business in the sense they intend it is that the organization engaging in these activities aims at being self-sustaining, that is, covering its costs by its business activities. That means that the exchanges must be profitable ones.

This is an admirably fresh way to define business, but it doesn't seem to me quite to work. What is the difference between (say) a private non-profit hospital and a for-profit one? None under this definition—both aim at making a profit, at least at the level of sustaining themselves. They only differ in what the owners may want to do with the profits. And even there, as the authors themselves note, for-profit business owners many not want money just for its own sake, but perhaps as a tool to accomplish social ends.

I suggest that to distinguish charities or other non-profit companies from ordinary for-profit businesses, there is no getting around mentioning the intentions of the owners. While the owners of a typical non-profit corporation want at least some of the individual transactions to show a profit—otherwise, unless the owners can cover the operating losses indefinitely (which is rare), the enterprise will collapse—the owners of a non-profit don't intend that it turn an overall profit. But the owners of a for-profit business intend that it not merely be self-sustaining, but turn an overall profit.

In Chapter 3, Gini/Marcoux take up the task of defining ethics. Again, they aim to put the focus on the question of what it is for a *person* to be ethical, rather than the *firm*.

They take a character or virtue ethics stance, giving a brief sketch of the concepts of character, Aristotle's notion of the Golden Mean, and integrity. The authors distinguish between what they call "act-based" versus "character-based" ethics, discussing in turn utilitarianism and Kantian ethics. Their sketch of utilitarianism is especially brief.

The authors hold that both utilitarianism and Kantianism share three basic features. Both ethical theories focus on actions and decisions, rather than persons. Both posit one ultimate value (i.e., happiness or rationality), and both aim to posit one or two basic principles that will tell us what we ought to do (either one principle of utility or two formulations of the Categorical Imperative). Gini/Marcoux justify their focus on character/virtue ethics because the moral character of an act reveals the character of the agent, and an act-based ethics encourages the false notion that an agent can be good even while doing bad things.

Yet this strikes me as problematic. To start, yes, utilitarians posit happiness as the one ultimate value—but then, so did Aristotle, the Ur-virtue-ethicist.[5] Moreover, the claim that the moral character of an act is an "indication" of the moral character of a person is debatable: as the utilitarians point out, a person acting out of a good motive or character trait can do something wrong (e.g., spoil a child out of love), and someone can do what is morally right from immoral motives or character traits (e.g., cure AIDS out of a desire for fame).

Moreover, this quite misstates act-based ethics. A utilitarian, for example, need never say that an agent's motives or character are ethically

[5] One might reply that happiness for Aristotle was exercising virtue, while for the utilitarians, it was mere pleasure. But while that was true for Bentham, already in Mill you see a move to "pleasure" as including higher-level pleasures such as learning and appreciation of art. And by G. E. Moore, hedonism was completely conceptually decoupled from utilitarianism.

irrelevant, only that they are irrelevant to assessing the moral rightness of the agent's *act*. Of course, the moral worth of the agent (i.e., the praiseworthiness or blameworthiness of his or her motives/character) is quite important in judging the *agent*.

Also troublesome is the authors' discussion of narcissism. Gini/Marcoux tell the reader, "One need not be a scholar of Thomas Hobbes' work or an admirer of Herbert Spencer's to recognize that we are by nature self-absorbed creatures. In the language of virtue ethics we are *habitually* self-centered and self-absorbed—in a word, narcissistic" (p. 44). The authors go on to discuss the narcissistic personality disorder, lack of moral imagination (due to lack of empathy and sympathy), and the callousness of the narcissist.

Now, I don't doubt that most white-collar criminals, both in private industry and in government, are narcissists indifferent to the rights and welfare of others. (In this, they don't differ from ordinary criminals.) But as the authors themselves already rightly noted, most businesspeople are neither immoral nor routinely bad actors.

The problem here, I would argue, is that in taking so thoroughly a virtue ethics perspective as the unproblematic starting point for their ethical inquiry, they set themselves on a path to disregarding the important and commonly constructive force that egoism plays in the economic system particularly and in human life generally. In fact, neither psychological nor ethical egoism is even mentioned in the text. You don't have to be Adam Smith (much less Ayn Rand) to suspect that talking at length about narcissism and not discussing reasonable egoism may blind the reader to how business succeeds in actually doing good things (producing, as economists put it, positive externalities).[6]

To put the point another way: If we are all "by nature" self-absorbed, might that be because psychological egoism has survival value?

One other problem with this virtue ethics approach is that it leads the student to think that it is or should be the primary responsibility of business to form moral character, to instill virtue, in people. This is seriously misleading, in my view. Certainly, the structure or "culture" of a business may enhance or diminish the moral virtue of the employees at the margin, so to say. For example, a sales company that compensated salespeople only for initial sales and did not penalize those salespeople for customer complaints, would likely make their sales force more aggressive over time—though, it must be added, it is even more likely that such a company would over time attract salespeople who were overly aggressive to begin with. But surely the role of forming virtuous and caring people most centrally belongs to the mediating structures

[6] This may be due to Gini/Marcoux's particular brand of virtue ethics. It seems common among contemporary virtue ethicists to view overcoming self-interest as what virtue is all about. But in both ancient and medieval virtue ethics, prudence (i.e., the reasonable attention to self-interest) is not just a virtue, but a cardinal (basic) one. Tellingly, there is no entry for "prudence" in the index.

of society: family, religious organizations, school, social organizations, community groups, and friendship circles.

In Chapter 4, Gini/Marcoux take up the task of defining business ethics as a form of applied ethics. They note that many philosophers view applied ethics as taking an ethical theory (utilitarianism, Kantianism, natural-rights ethics, or whatever) and "applying" it to various situations.

The problem the authors note is that the search for a perfect ethical theory is centuries old—actually, I would note, it is *millennia* old—so it is unlikely that we will anytime soon have a universally acceptable ethical theory. Any "application" to a given business situation will just result in a recapitulation of the criticisms of the theory itself.

The authors then consider the approach taken by many ethicists to applied ethics, of constructing an ethical theory of corporate social responsibility, such as the stakeholder model (which seems to be the favorite model of most business ethics texts).

But as the authors note, this stakeholder model is no less contentious than are the various ethical theories themselves. They mention as a competitor Tom Donaldson's and Tom Dunfell's "integrated social contracts theory" (ISCT). Under this model, the explicit and tacit social contracts of business set the moral limits of business behavior. So while the stakeholder model and the ISCT both might agree that insider trading is unethical in America, they would disagree on the ethics of insider trading in New Zealand (where it is legal).

One could add here that there are a number of other models of corporate ethics as well. For example, Desjardins's popular text discusses a number of other ethical models of business: the economic model (of Milton Friedman), the philanthropic model, the moral-minimum model (of Norman Bowie), and the strategic or sustainability model.[7]

Gini/Marcoux suggest a different tack, one that follows Mill's approach in *Utilitarianism*. They suggest that ethical theory consists of fundamental or higher-level ethical principles that explain why lower-level principles are valid. So a moral "rule of thumb" or "secondary" moral principle like "Keep your promises" can be justified by all high-level principles. But the authors aver, "Notice that this common sense principle tells you *what* to do, not *why* you should do it. It's not a principle of justification. Instead, it's an *action-guiding* principle. It doesn't argue; it just directs" (p. 55). Kant as well had a two-level structure to his ethical system, they add.

Why, then, do we need to have the high-level principles? We need them to "test and verify" (p. 56) the secondary ones.

Here Gini/Marcoux use an analogy from physics. The laws of motion (I assume that the authors have in mind Newton's laws) make the simplifying assumption that there is no friction. This assumption allows us to derive

[7] Joseph Desjardins, *An Introduction to Business Ethics*, 4th ed. (New York: McGraw-Hill, 2011); see chap. 3.

observational (astronomical) predictions that are highly accurate, because while friction does exist, it is negligible. But in "applied physics," say, designing an automobile engine, friction must be accounted for. If you build an engine with no lubrication system because you assume there will be no friction, it will blow up.

Similarly, applied ethics is about finding action-guiding principles that are the best you can devise in the context of application, rather than the most consistent ethical theory. And the authors say that in business ethics, this means viewing people with whom one is doing business as both being a locus of moral worth and as responsible agents.

Gini/Marcoux's view of applied ethics in general and business ethics in particular is certainly interesting, but it faces some issues.

First, it tells us that our focus should be on the secondary moral principles for business, because there is no agreed-upon high-level ethical theory. But why, then, do the authors begin by giving priority to virtue ethics?

Indeed, given that secondary moral principles often conflict in particular situations, perhaps we should go with a more modern ethical theory that explicitly recognizes that duties can conflict. I refer here to W. D. Ross's oft-neglected theory, sometimes called multiple-rule deontologism. There is in fact one book that does just this, namely, Robert Audi's recent text.[8]

Another problem is that the authors' account of business ethics as laying out the secondary ethical rules for the "practice" or "venue" of business is that business isn't just a practice. It is more properly viewed as an *institution* in the sociological sense, like the institution of the family—a well-established welter of relationships and patterns of behavior that is a basic part of a culture. The analogy that drives Gini/Marcoux's analysis—applied physics—is what I suspect misleads them.

In Chapter 5, Gini/Marcoux take up the notion of trust and truth as they apply in business. They argue that there are three ways to deal with others in business: courtesy, contracts, and trust. Courtesy (manners and etiquette) they note (with David Hume) is not ethics, though both involve socially established rules for dealing with others.

While courtesy plays a role in business (and hence business ethics), contracts are more important. Contracts involve promises exchanged between two people. The authors note in passing that since business contracts typically extend beyond one's circle of family and friends, the existence of contract law helps to ensure that contracts will be adhered to by all parties.

But besides relying on courtesy and governmentally enforced contracts, business requires a general environment of mutual trust.

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[8] Robert Audi, *Business Ethics and Ethical Business* (Oxford: Oxford University Press, 2009). Actually, while Audi's admirable book is based upon Ross's moral theory, it includes a fudge: when ethical principles conflict, we turn to universalizability to resolve the conflict—in effect, we use Kant to bail out Ross in cases where the rules conflict (p. 42).

Yet defining this crucial concept of "trust" isn't easy. Gini/Marcoux turn to the work of sociologist James S. Coleman, who considers trust the by-product of social capital, which is "those shared ideas, morals, values, beliefs and behaviors that make life easier and add value (capital) to our interactions with other members of our social network" (p. 70). All of this, alas, seems somewhat tautological. No doubt the authors are right when they claim that values such as truthfulness, reliability and responsibility help to support mutually beneficial cooperation, and they do note that they come from our experiences within our family, community, and religious and secular organizations—in short, to use a phrase that I used above, the mediating structures of society.

The authors add that trust and social capital form a reciprocally causal relationship. They also add the point made by Robert Solomon that the key economic function of trust is to reduce the transaction costs of doing business (as a quick aside, it would have been helpful if the authors had defined the crucial economics concept of "transaction cost" here).

Gini/Marcoux rightly point out that trust can also be dangerous, citing the examples of Charles Ponzi and Bernard Madoff. Both used the trust of many people in their networks of friends, family, and acquaintances to commit frauds. The authors should have added that both cases are examples of "affinity scams," that is, frauds facilitated by exploiting the trust created by a common identity—such as same ethnicity, gender, religion, or whatever.

Gini/Marcoux finish the chapter by noting that honesty is the key to trust. Of course, this rules out false promises and fraudulently misrepresenting your products. But the authors note that there are business situations in which participants aren't morally required to tell the truth, or at least the whole truth. An employee doesn't have to reveal to a customer the company's trade secrets. And in bargaining, neither side is required to tell the other his or her true "reservation price" (the minimum the seller will accept and still feel better off selling than not, or the maximum the buyer will pay and still feel better off buying than not).

We might think that the ethical thing for each side is to state his true reservation price and split the difference, but (here Gini/Marcoux follow Howard Raiffa's analysis) this would tempt the participants to lie in such a way that the deal would never get off the ground, to the detriment of both sides.

The authors finish the discussion by defending the notion that it is morally permissible to lie to hide your true reservation price, as when I say to the buyer of my car that my wife won't let me sell for less than $13,000 (whereas in fact my wife said no such thing, or I have no wife at all). The authors conclude that it *is* morally defensible, because (borrowing a concept of common law) the lie is not material to the transaction. The buyer is not being deceived in a way that diminishes his ability to reach a rational choice on the purchase (as he would have been had I understated the mileage on the car, or covered up a known defect in it). In this I think they are spot on.

In all, however, I confess that I found this chapter to be one of the weakest in the book, and I think the weakness is due to the virtue ethics stance the authors take.

The first problem I see is that while it is true that trust undergirds community, and business always takes place in a community, this doesn't mean that business plays a major role in instilling or fostering virtue generally—or trust in particular—in people. As I suggested above, instilling virtue and shaping character are surely the job primarily of the mediating structures of society.

More importantly, I think Gini/Marcoux overstate the role that trust plays in business. Certainly, trust supports business between family members, friends, and acquaintances at least in a small community. If I am loaning money to my sister, say, I may well not ask for a written contract. (However, my sister had better be an honest woman, for cheating and dishonesty occur even in the closest families and friendship circles.)

But, in large societies, much more is needed than trust (and courtesy and contracts, for that matter). In saying that the three major factors structuring business activity are courtesy, contracts, and trust, the authors overlook what seems to me to be the major factor (or factors) controlling or governing business behavior, namely, what I shall term "the disciplinary matrix."

Let's imagine what would happen if, say, I were the owner of a restaurant, and I have decided to prepare and serve food in unsanitary conditions. What would likely occur?

To begin with, as customers became sick, word would spread. Newspapers would write stories about the sickened, elaborated in, well, sickening detail. Websites such as Yelp would hammer my restaurant critically until, well, I yelped.

Quickly, organizations such as the Better Business Bureau (BBB) and consumer watchdog groups would start negatively rating my company.

As word spread that my food was making people sick, my customer base would rapidly flee to the many other restaurants the free market furnishes. I would be driven to the wall by my competitors.

Naturally, a host of inspectors would descend upon my establishment, writing me up for all kinds of citations, bringing not just fines, but potential criminal charges as well.

And the customers who became sick from the food would waste no time in suing me, and would undoubtedly be awarded both compensatory and punitive damages. Here, it is well worth noting, it wouldn't be *contract* law that would come after me, but the more pervasive *tort* law.

If one thinks about this simple case of bad business behavior, one sees that in any well-ordered advanced capitalistic system, there is a large matrix of mechanisms that serve to deter bad behavior and encourage good behavior in business by disciplining (i.e., sanctioning) the business engaging in bad behavior. Trust is the least of it.

In Chapter 6, Gini/Marcoux take up the topic of competition in business. They note that competition plays a vital role in human life, and the paradigm of competition is athletic competition. Athletic competition builds character—it instills such virtues as courage, temperance, self-respect, good temper, friendliness, and so on.

But the authors hasten to add that there is often bad behavior in sports. Here they give another Aristotelian golden-mean analysis: the virtuous sportsman is justly proud of a good performance, whether he wins or loses, whereas the sore loser is excessively vain, as is the swollen (i.e., boastful) winner.

Now, business is certainly competitive. The question is, however, whether it is analogous to athletic contests or games. Gini/Marcoux suggest some major differences. Most games are "zero-sum" (i.e., someone must win and someone must lose), whereas a number of companies can compete successfully in a given market niche and all make money (a "positive-sum game"). Competition in athletic games is limited to the field, while competition between companies continues constantly. Moreover, athletic games can never devastate people the way business can (as when a company dumps toxic waste in a community). And the competition between athletic teams is for a short period of time, with a set endpoint, whereas the competition between businesses can continue indefinitely.

Gini/Marcoux then ask whether business is like war. Here the authors give a brief review of Joseph Schumpeter's theory of "creative destruction," namely, that economic progress is driven by innovation, that innovation is typically produced by entrepreneurs, and that this produces the destruction of older, less efficient industries through replacement by newer, more productive ones.[9]

The authors argue that this destruction is utterly unlike war, because typically the old industry survives, but is just diminished by the newer one. Their example is of transportation by horse and buggy. While the automobile displaced the horse and buggy, people still use horses and buggies. They conclude that in business, competition is both normal and positive.

Again, I think that this chapter could have been stronger, and its weakness stems in part from the virtue ethics approach. Start with Gini/Marcoux's treatment of Schumpeter's theory of creative destruction. Their treatment downplays (if not trivializes) a process that Schumpeter himself viewed as having a tragic side. The auto industry really *did* eliminate horse-powered transportation—horses and buggies are now primarily a hobby. The effects upon hundreds of thousands of workers was profound and (at least in the short term) negative. This negative consequence of innovation needs to

[9] Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper and Brothers, 1942).

be frankly acknowledged. Yes, unlike battle (though perhaps not of all war),[10] where there is only destruction of value, in innovation, this is destruction of value accompanied by creation of greater new value. But there is at least a short-term negative impact on some people. This recognition would allow the instructor to talk, say, about the use of safety-net programs in all modern market economies to mitigate the impact on the losing industry, and the dangers of moral hazard in those programs.[11]

What's worse, the key idea—that competition is generally virtuous—needs to be clarified. For example, consider the phenomenon economists term "rent-seeking." Reverting to the sports analogy, wouldn't we consider any attempt by one team to change the rules of the game to disfavor the opposing team to be poor sportsmanship? However, businesses often seek to prevail over competing firms not by providing a better or cheaper product, but by getting government agencies to impose regulations on their competitors.

In Chapter 7—one of the best chapters in their text—Gini/Marcoux take up the topic of partiality and loyalty. It is a very useful chapter, perhaps because it relies less on the virtue ethics approach. The authors rightly point out that the notion of impartiality (treating people equally, not being partial to some) is central to most ethical theories, certainly the major ones such as utilitarianism, Kantianism, and social-contract ethics.

But the notion of impartiality is tricky. We expect a referee in a sports event not to favor anyone or any team in the game, but we impartially agree that a parent should be partial to his or her child. The authors frame the key question nicely: "Is ethical business practice like being in a basketball game or like a mother raising a child?" (p. 103)

It can be both, of course, depending upon the specific business situation. We consider impartiality to be morally obligatory, for example, when the government awards a contract; the companies bidding for it have a right to expect fair consideration according to pre-established rules (such as lowest bidder wins). But this is an exceptional case.

Here the authors engage in an insightful analysis of Norman Bowie's view that business ethics should focus on impartiality.[12] Specifically, Bowie calls for "arms-length transactions" in business, so (for example), a manager

[10] I have in mind here, for example, World War II, in which the Allies destroyed the fascist regimes (and much of the infrastructure) of Germany, Italy, and Japan, but later helped to install democratic governance and stable, prosperous economies.

[11] In this context, "moral hazard" would refer to the chance that government safety-net programs would tempt people into bad or counterproductive behavior. For example, extended unemployment benefits may lead some workers to delay looking for new work, making them for a period of time a drain on the taxpayers, and in the end less attractive to potential employers.

[12] Norman Bowie, *Business Ethics: A Kantian Perspective* (Malden, MA: Blackwell, 1990).

who gives special consideration to family or friends is behaving unethically, and may even be a violation of fiduciary duty.

Gini/Marcoux (employing an implicitly egoist perspective) reply that what appears to be "arms-length" negotiating is typically bargaining out of self-interest. That is, the negotiator is trying to get the best deal possible, and only makes those concessions necessary to get the other party to agree.

So if I am looking out for my self-interest (or that of my principals) in negotiating for a new roof for the factory, then I am not going to be partial. I'll take the lowest bidder, though I might take advice from friends on who did a good job for them. But is this impartiality in the Kantian sense? It doesn't seem so.

Furthermore, what would be wrong if the sole owner of a company hired a relative for a make-work position? Nothing, it would seem. If the owner falsely advertised for the job (stating that it is open to all qualified applicants), when in fact it was reserved for his relative, or if the person hiring his/her relative wasn't the sole owner (or was only a high-level manager), that would be unethical, but otherwise, it isn't. The owner is, in effect, spending part of his own profit in a way that reflects one of his preferences (viz., aiding his family).

So, as the authors note, the times when a person is duty-bound to "bargain at arm's-length" are most often cases of a principal/agent (or "agency") relationship. If a salesperson sells the company product to a friend at a lower price than is offered to other customers, that salesperson is not acting morally toward his employer—the salesperson is *disloyal.*

The authors conclude by noting that agency relations are pervasive in business, as are fiduciary duties—consider the obligations that pension-fund managers and full-service brokers owe their clients, as well as the obligation of the managers of a company to its owners (stockholders). They note that many business ethicists are suspicious of agent loyalties to principals, fearing that it may lead those agents to mistreat people who are not principals. To this they give the excellent reply that as the law recognizes, an agent's duty to the principals does not negate all other ethical obligations. Ross couldn't have put the point better.

Chapter 8 is on work-life balance. It tells us that work has value beyond just allowing us to afford life's necessities, by defining our identities and shaping our characters. But the authors also hold that the main problem we face is that while work is central to our identity and creative flourishing, we are overworked.

The rest of the chapter essentially elaborates this view. Gini/Marcoux here raise the criticisms that excessive focus on work can cost us in human relationships, and that our workaholism is geared toward conspicuous consumption. Here they cite the view of Diane Fassel, who holds that workaholism is quite distinct from "the American/Protestant work ethic," in that the former is self-absorbed and compulsive, while the latter is "about God's calling to work, the dignity and duty of work, the value and purpose of work" (p. 123).

The conclusion is that we need more play time and time away from work. This strikes me as too vague to be of use. First, even given the attempt to distinguish evil "workaholism" from good "American/Protestant work ethic," it is difficult to see how we can all inherently be narcissists (as the text earlier proclaimed) and workaholics at the same time.

Worse, the authors don't take the time to talk about the different reasons people work. Consider, for example, a poor immigrant couple who own a small dry-cleaning business, and who have to be there twelve hours a day for seven days a week, just to cover their costs, pay their taxes, and put their kids through decent schools. For (presumably tenured) professors to tell them that they are self-absorbed and need to take time off seems beyond insensitive—it smacks of blaming the victims.

The authors should have done as Joseph Desjardins does in his text[13] in considering various models of why people work, and then (perhaps from a Rossian perspective) discussed the various conflicts of duty to oneself and others.

Chapter 9 is on big business and the global marketplace. The chapter has some useful material, but the structure presents problems. Gini/Marcoux begin with the fair observation that just as it is a mistake for a business ethics text to view all business as big business (a mistake prevalent among existing texts), it would also be a mistake to overlook big business. But here they add that any big business started as a small one.

Now, if big business is just successful small business matured, and few of us will be executives at a big business, why devote special attention to it? Here the authors suggest that businesses like Wal-Mart, which employs 2.1 million people worldwide, and ExxonMobil, with revenues of $358 billion, have a greater potential to do harm because of their scale and their global presences.

The authors then briefly discuss the stakeholder model (first articulated by Evan and Freeman).[14] They suggest that this model is rather outdated in the modern American economy, where workers no longer work for life at one job, and there is a dizzying array of consumer choices.

As an aside: while I agree that the stakeholder model is inadequate, I think there are more compelling critiques of it than this. One most obvious problem of the model is that it treats as equals people who aren't, in terms of risk. Owners risk loss of assets in a way that no other "stakeholders" do. That is, most new businesses fail. When a firm fails (goes bankrupt, say), any unpaid employees are early in the line of claimants to be paid off; so are

[13] Desjardins, *An Introduction to Business Ethics*, chap. 5.

[14] William Evan and R. Edward Freeman, "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism," in *Contemporary Issues in Business Ethics*, 4th ed., ed. Joseph R. Desjardins and John McCall (Belmont, CA: Wadsworth Publishing, 2005).

secured investors. Owners are always at the back of the line, and typically receive nothing.

Gini/Marcoux then talk about market failures, including negative externalities, and how they call for government regulation, but also call for virtuous businesspeople. Like every other business ethics text of which I am aware, this text never mentions government failure or the problems of regulation, such as regulatory capture and rent-seeking. Those insights only come when you do as economists do and *take egoism seriously*.

The authors then take up the issue of globalization. Showing economic common sense, a sense lacking in some other texts—they observe that since globalization has already occurred, we no longer need to ask whether it is good, but what the ethical implications are.

This, parenthetically, seems a bit quick. Sexually transmitted diseases have grown worldwide in the modern era, but we can still ask whether that is a good thing. Specifically, it would have been a valuable discussion to explore the degree to which global trade has grown. In the modern era, this is tied not with the collapse of communism, but with the establishment of international organizations that will enable and promote it (such as the General Agreement on Tariffs and Trade and the World Trade Organization). It would also be valuable to explore why economists are nearly unanimous in viewing it as a good thing.

Be that as it may, the authors conclude the chapter by noting that there are some ethical issues that arise in international business, such as whether one should follow the norms of one's own country, or norms prevailing in each country within which one does business. One typical answer is to invoke the norms of (say) the UN Global Compact, or some particular code (say, Richard De George's guidelines). As Gini/Marcoux note, these two approaches face the same three problems. First, they seem to ignore competitive reality: if my company refuses to bribe officials in a country where bribery is common, I will lose business to my competitors. Second, these approaches just recycle the question of which norms are correct. Third, both of these approaches impose our own Western-style morality on others.

The authors finish the chapter by briefly discussing the contentious case of "sweatshop" labor. They review Ian Maitland's arguments that sweatshops in fact are beneficial for a developing country: so-called sweatshops typically pay their workers much more than local companies; those shops have better working conditions than indigenous ones; they allow workers in that developing country to prove their competence; they raise local wages by competing for local talent; and they stimulate the local economy. Maitland's critics hold that despite these good effects, sweatshops are unethical, often arguing that a Kantian respect for the workers entails a living wage (though seldom specifying quantitatively what that means).

Conspicuously missing here (as is the case in most other texts) is a crucial distinction. You can make a strong argument when dealing with a *democratically governed* developing country that if the government allows low-wage factories, it is a trade-off that the people are making to take the lower paying work rather than face unemployment. That is their choice, and a Kantian respect for autonomy would seem to suggest that we should honor that choice. But the argument is much harder to make when dealing with a *dictatorially governed* developing country. For in that case, the people have no chance to make the choice for themselves—the ruling clique makes it for them.

This chapter suffers from two flaws. First, it mixes together two topics that really should be given separate chapters. There are many big businesses that are not global, and many small businesses that are. (Try searching for "Greek olive oil" on your favorite search engine, and you will find a lot of small producers advertising their wares. Websites are easy to design and maintain the world over.)

A second flaw in this chapter is that the authors' explanation of why big business merits special attention seems to me to be insufficient. I would point to two issues that are ubiquitous in big business, but typically absent in small business. To start, big businesses involve large, hierarchically organized groups of people, and the organizational behavior of the employees is thus more complex than it is in small businesses. Moreover, the greater the number of employees, the harder it is to deal with the agency problem efficiently. That is, in a large corporation, the owners/stockholders tend to have less power and information, while the managers have more of both, and so are more able to act in their own (rather than the stockholders') interest.

The final chapter in the book is the weakest, and again the virtue ethics orientation seems to be the problem. Gini/Marcoux take up the topic of leadership in business. The authors hold that while our fascination with leadership is excessive, leadership is central to business and thus important ethically. In keeping with their virtue ethics perspective, they claim that workers take management and the culture of the firm as their ethical models. The authors do allow that this doesn't mean workers are never responsible for the actions of a business, but that leadership matters.

The authors define leadership as "a power-and-value relationship, among leaders and followers/constituents who share a common vision and intend real changes that reflect their mutual purpose and goals" (p. 152). They try to define the key terms carefully. Power, for example, is defined as the ability to direct change. It can be used coercively but also non-coercively as well. They naively add that, ideally, people with power would wield it for the common good, not for personal gain.

However, they tell us little about what makes a good leader. They claim that it is good moral character, and cite the case of Richard Nixon, whose presidency failed because (they imply) he lacked character. Most important in character is moral courage—the courage to face dangers to put principles into effect.

But all of this is very unconvincing. First—to repeat—businesses can reinforce or weaken character, but our basic characters are formed much earlier in life than when we move into adult work.

Second, what evidence do the authors offer that moral character is typically present among effective leaders, other than citing the case of Nixon? Indeed, one can think of any number of recent effective presidents, for example, who don't seem to have been men of exceptional moral character—John Kennedy, Lyndon Johnson, and Bill Clinton come to mind here. Conversely, personal rectitude hardly translated into effective leadership for Jimmy Carter.

It seems more likely that competency in leadership usually has more to do with the skills and practical intelligence of the leader. In the case of a potential leader, it is skill in communication and political judgment. In a business leader, it is skill in communication and economic judgment, and a good deal of luck figures in as well.

Let me turn now to some general comments about the Gini/Marcoux text.

First, Gini/Marcoux work hard early to distinguish for-profit from non-profit companies, and they put their subsequent focus on for-profit enterprises. In this regard, they follow every other text I have ever examined.

But it is questionable whether this universally exclusive focus of business ethics texts on for-profit enterprises is justified. Specifically, I suspect that it reveals a bias against for-profits that leads to blindness concerning ethical issues in non-profits. An ideal business ethics text would have at least one chapter on ethical issues in non-profit businesses.

Second, the brevity of the text results in the omission of some interesting issues in business ethics that the authors' own perspective could have helped to analyze in an enlightening way. Consider this example. The authors rightly note that entrepreneurs don't just passively take orders from customers, but "imagine lifestyles that people may be attracted to, once the possibility is presented to them" (p. 24). They illustrate this briefly by citing the case of the personal computer, which had little early demand in the market. But entrepreneurs conceived (and continue to conceive to this day) of ways people could find the device useful, and created software to enable the realization of those hitherto potential applications. They could have amplified this and illustrated it more fully in a whole separate chapter.

And it would have been a useful chapter, indeed. For in some (if not most) business ethics texts[15] one finds a critique of advertising in particular (and by extension, free-market economics in general) that goes back in recent American history to John Kenneth Galbraith's 1958 best-seller, *The Affluent Society*.[16] (In fact, this critique has its roots in Karl Marx, and even earlier in Jean-Jacques Rousseau.) This critique attacks advertising for manipulating people into desiring and buying trivial or useless things, and engaging in "therapeutic shopping" (where consumers go to shopping malls and buy

[15] See, e.g., Desjardins *An Introduction to Business Ethics*, pp. 183 and 201-16.

[16] John Kenneth Galbraith, *The Affluent Society* (New York: Houghton Mifflin, 1958).

things just to feel better, often regretting it later). This then is said to lead to "affluenza," the alleged social malady affecting economically advanced countries, a malady that includes spiritual emptiness and intellectual shallowness caused by pervasive advertising for things people don't really need.

The point that Gini/Marcoux could have explored (and defended) is that entrepreneurs are generally creating markets in the positive sense of imagining new ways that existing products and services (as well as imagining new products and services) can meet fundamental pre-existing consumer desires, as opposed to creating shallow new desires.

For example, consider recent advances in cell phone technology. People—young people in particular—love talking to and showing pictures of each other. A grim Galbraith may intone that the desire to own these silly picture phones was implanted in those consumers' empty heads by manipulative advertising, and a rigid Rousseau may judge the young people using these phones as silly and shallow for wasting their time networking in this way.

But this behavior is neither the result of unnatural desire nor is it psychologically shallow. On the contrary, wanting to communicate and bond with your circle of friends is a deep, innate desire of human beings. It is how we maintain our social cohesion, a key feature in our flourishing as a species. An ideal business ethics text would directly address the Rousseau/Galbraith line of attack on business in general and advertising in particular.

Third, the authors focus on individuals and their behavior in business. I certainly think that is a good counterpoint to the tendency of most texts to focus just on business behavior. But we shouldn't overlook the fact that people in groups often collectively behave differently from the way they behave individually. A corporation—which is recognized in American law as a legally separate person—has goals that will usually affect the thinking and behavior of the individuals in it. An ideal business ethics text would discuss issues surrounding corporate culture and how it affects individual behavior.

Fourth, I think that Gini/Marcoux's text doesn't convey the degree to which business—in America or any other country—is an externally rule-governed institution. Even less does the text survey some of the legal structure that governs American business. It would have been helpful to have a brief chapter surveying the sources of American law (statutory, regulatory, and common), the concept of a limited-liability corporation, and the tax law differences between for-profit and non-profit enterprises. It is difficult to discuss ethical issues in product safety, for example, without such a background. An ideal business ethics text would include a brief survey of the laws that structure American business, and use that material in discussions of ethical issues.

Finally, more troubling is Gini/Marcoux's view of applied ethics. They view applied ethics as being analogous to applied physics. However, I think that the analogy is inherently flawed, and this helps to explain some of the flaws in the text I discussed above.

Start with the analogue, applied physics. One doesn't "apply" the Newtonian laws of motion in building a car engine, but to predicting and explaining the motion of large bodies (planets, say, or cannon shells). Let's consider a more accurate case of applied physics. Hydraulics (i.e., fluid mechanics) is a well-established branch—a theory, in the sense of a detailed set of laws and concepts that are empirically well-established in a domain—of physics whose domain is the behavior of fluids in motion. To "apply it" is to take the web of those laws, principles, and concepts, which together are true (or highly approximately true) in its domain, and use it to explain phenomena or to guide the construction of various devices, as when a biophysicist uses fluid mechanics to explain the motion of blood in an animal or a mechanical engineer uses the theory to design a piping system for a power plant.

But if you look at the ethical theories that philosophers have considered the most compelling—which I would list as ethical egoism, utilitarianism, natural-rights ethics, Kantianism, virtue ethics, and Rossian ethical theory—none of them seems to be true, or even highly approximately true, of the "domain" of accepted moral judgments. Worse, it is not even clear there *is* such a domain of universally accepted moral judgments; that is, moral relativism remains an issue in moral theory generally.

I suggest that an ideal business ethics text would take the view that each of these theories has some merit, that is, none is so deeply mistaken that it deserves to be skipped entirely. This is even true of ethical egoism, a view most business ethics (in fact, most ethics texts) dismiss out of hand before trying to discuss issues arising in for-profit business—an institution the essence of which involves mutually beneficial exchanges conducted in a way that increases the wealth of the owners.

Instead—again, avowedly, in my view—an ideal business text would view all of these theories as "thinking caps," that is, conceptual lenses which help us to focus on different aspects of a complex institution (business, the family, medical practice, technology, or whatever). Focusing on business, each of the ethical theories has a role to play.[17] Egoism helps us to see that seeking your own benefit is to be expected in business, and is the whole point of for-profit business (and is clearly involved in non-profits and government as well). That is, psychological egoism helps us to understand the agency problem, moral hazard, public choice theory, regulatory capture, rent-seeking, and many other economic concepts so crucial to business ethics generally.

Utilitarianism allows us to ask of different rules we might design to constrain and structure business, which leads to the best results. We need this perspective (as did Adam Smith) to understand why the free market has proven so generally beneficial. But the natural-rights perspective adds a corrective that individual rights trump collective good.

[17] Indeed, one of the useful things about Gini/Marcoux's text is that despite its obvious preference for the presently regnant virtue ethics, which weakens the discussion of some issues, in the stronger chapters the authors implicitly invoke the egoist, Kantian, utilitarian, and even Rossian ones.

The Kantian perspective allows us to inquire into consistency and dignity of the people in business. The virtue ethics perspective helps us to examine the effects of a business practice on the character of the participants. And the Rossian perspective helps us to analyze conflicts among duties for participants in business.

Another problem with Gini/Marcoux's analogy between "applied ethics" and applied physics is that it overlooks a key thesis from philosophy of science, to wit, the Duhem/Quine Thesis. This thesis holds that a scientific hypothesis cannot be empirically tested in isolation from other auxiliary ("background") assumptions. This was first recognized explicitly by historian of science Pierre Duhem, and featured prominently in W. V. O. Quine's epistemology.[18] Something like this thesis holds in applying high-level ethical theories to render particular moral judgments.

My point here is that even if there were a "correct" (or "highly approximately true") ethical theory, it wouldn't by itself entail any "secondary" moral principles, much less answer particular issues in business ethics (such as whether employees should be given a minimum wage). Ethical theories only entail prescriptions via background assumptions, *which are often themselves hypotheses from legal studies, economics, history, psychology, or other disciplines.*

An ideal business ethics text would frankly acknowledge that high-level ethical theories only suggest ethical judgments against background assumptions, and should where possible explicitly indicate those assumptions.

In short, while the text under review has a number of fine features that other business ethics texts lack, it unfortunately is not quite an ideal one.

[18] Duhem's thesis is nicely covered in Roger Ariew's entry on Duhem in the *Stanford Encyclopedia of Philosophy*, accessed online at: http://plato.stanford.edu/entries/duhem/. Quine's views on the matter appear in his "Two Dogmas of Empiricism," *The Philosophical Review* 60 (1951), pp. 20-43.