Is ethics for business an oxymoron?

The role of the free market has from the beginning in the eighteenth century been contested. Adam Smith, the father of modern economics, is often interpreted as an advocate of an amoral free market regulated only by self-interest. He famously said in his work *The Wealth of Nations*that it is not from the benevolence of the butcher, the baker or the brewer that we expect our dinner but from their self-love or self-interest. This has been taken to imply that the major incentive or the major driving force of the free market is not the goodness of our heart but our self-interest, the strong desire to profit. If the desire for profit reigns supreme in all our economic activity all moral requirements become problematic in this sphere. If self-interest is the only or the most effective reason driving us in the economy then moral requirements become hindrances, they prevent us from profiting as much as we possibly can.

It needs to be said that this is not the way Smith himself thought of the free market. It was clear to him that moral requirements are a necessary feature of a free market. But he clearly believed that the free market did not work through the idea of the common good, the brewer did not provide his services because he believed he was contributing to the public good. He seems to believe that this was not an effective way to organise the free market. Self-interest was a much more effective way.

This way of conceiving economic activity has been problematic from the beginning. The first socialists believed that the major problem about the free market was that it should serve society as a whole, not only its participants. What they saw in front of their eyes in the first decades of the nineteenth century was that some people were becoming enormously rich while others survived in poverty and the rich were actually becoming richer because those who worked in their mills or other places of industry got meagre pay just enabling them to scrape by, not enough to live a reasonably good life. Karl Marx famously criticised the free market and saw no other way out of the problems he found than to overcome it, to get rid of the free market altogether and argued that the common good should guide all our actions. This has not proved to be a good solution to the problem of how we should coordinate our economic interactions. So we are stuck with the free market and constantly have to evaluate its benefits and drawbacks.

Jacob Dahl Rendtorff has written a book about business morality. His main idea is that businesses are not amoral agents in a free market pursuing profit regardless of anything else. They should be thought of as citizens in a republic with at least some, maybe all, of the obligations as real-life citizens. This is a pretty radical idea, especially in this day and age. The last decade has not only seen how the financial system, an important part of the free market, has collapsed in many countries and those in charge of the executive part of the state decided to pump enormous sums of money into the system to keep it alive. The reason why the financial system collapsed was irresponsible behaviour of the bankers, often clearly criminal. Unfortunately, the bankers have not been prosecuted and put into prison except in Iceland and even though they were among the worst of the lot I do not think they were the worst. Later the Panama papers were published demonstrating that vast numbers of people in business are just plain thieves hiding their money in tax havens to avoid paying taxes. The same applies to the international organisations themselves that move their income around ending up paying maybe 1-2% income tax. The third serious problem with international business is the free ride of the chief executive officers ripping off the organisations for their own benefit being paid millions of euros each year and there is no constraint within the business organisations on this behaviour in the boards or in special income committees keeping a lid on the pay rises of CEOs. This has resulted in the top executives earning 100 to 200 times the median pay in the market while it was maybe 5 to 10 times more forty/fifty years ago. There is no moral justification for increasing this difference and there is no reasonable argument for doing this based on better efficiency of the organisations themselves. So, all in all, the free market has not been a showcase of moral decency in the last 20/30 years and a substantial part of it has behaved like a band of gangsters. It is a reasonable question if ethics has anything to do with business, that it is not amoral but downright immoral or criminal.

It must be said that those working in business do not consider themselves as criminals or immoral agents. I guess this applies to most businesses. So we should keep the immoralities in perspective. The faults of the free market mentioned above are not the general rule even though the pay divide seems to be becoming general. But the important fact is that the free market is a part of the larger society and it should be so organised that it serves the common good. This means that it comes within the purview of morality. And it is important to understand how we should think about the free market and the businesses operating on it as moral agents. Rendtorff offers us a good guide to do just that.

He argues for corporate social responsibility which is more than following the law, it requires the firm to realise and put into practice its understanding of its moral responsibility. In this case it is its responsibility to its customers, it must produce products that can be sold on the market, it has obligations to its own society and it is to be expected that it contributes to its society beyond paying out its dividend to its shareholders. Its employees should not be forgotten either. One question about moral responsibility is who is morally responsible for the firm´s actions, the organisation itself or the executives that actually took the decisions leading to the action. The idea that the firm is a citizen requires that the firm or organisation is a moral person. Stating this is not to argue that the firm is a moral person. Rendtorff bites the bullet and accepts the notion of collective intentionality as describing the organisation based on the corporate-internal-decision-making-structure. This means that there are certain things in place in the organisation that make it possible to meaningfully say that it is a morally responsible agent, things such as value driven management and ethical structures. If these things are in place then it can be argued, as far as I can see, that the organisation is a moral person and hence can be considered a citizen. It should be said that this is not a nice knockdown argument as Alice in wonderland would have it but it is a serious candidate for an argument for this conclusion.

In addition, Rendtorff argues that the corporate citizen has cosmopolitan duties. It seems to me that this is natural because globalisation has been driven mostly by the interests of businesses. The author covers a lot of ground in this book, discusses issues like sustainability, stakeholder management and ethical accounting to name three. What I found most valuable and most interesting was his description and discussion of business ethics in Germany. This is, as he points out, a tradition unknown in the English-speaking world but it is socially valuable. All in all, this book is a substantial contribution to business ethics in English.