"While Conforming to . . . Law and . . . Ethical Custom": How to Do Humanomics in Business Ethics

Deirdre N. McCloskey

The title of Milton Friedman's famous, or infamous, article in the *New York Times Magazine* in 1970—"The Social Responsibility of Business Is to Increase Its Profits"—was crafted by a clever headline writer from the *first* clause of a sentence early in the piece. My title here is from the *second* clause in the same sentence, which reverses what economists and their enemies have supposed Friedman was saying—that we students and practitioners of business don't need to learn about ethics. Friedman was saying the opposite (such as about the ethics of stewardship).

And so too does the present book. A problem with business ethics is that it is not serious about ethics. Another is that it is not serious about business. After *Wealth, Commerce, and Philosophy* there will be no excuse, on either count.

I want to recommend the book under a novel rubric, "humanomics," which is to say the study of business with the humans, and the humanities, left in. The humanities deal with the categories of meaning that humans regard as important, such as business ethics vs. political ethics, corporation vs. partnership, red giants vs. white dwarves, viruses vs. bacteria, citizens vs. illegals, ugly vs. beautiful, dignity vs. pleasure, good vs. bad. You need to know the meaning of a category before you can count its members, which is why the humanistic sciences—the Germans call them *die Geisteswissenschaften*, the "spirit sciences"—must always precede the quantitative sciences, whether social or physical. Meaning is scientific, as Niels Bohr among many have noted, because scientists are humans with human questions on their lips.

So too here, the "spirit science" of philosophy is applied to the business world. True, it is not *only* technical philosophy among the humanities that can illuminate the business of ordinary life. You can learn from the plays of Henrik Ibsen or Arthur Miller about the meaningful categories in a bourgeois life—such as that a Master Builder fears entry by the young; or that respect must be paid even to the unsuccessful salesman. You can learn from Milton—John, not Friedman—that "Evil be thee my good" is a clever fool's plan for a life, even an angelic one, as is also an aristocratic or peasant or bourgeois plan such as "He who dies with the most toys wins." You can learn from linguistics, or from the *Dilbert* cartoon, that the surface rhetoric of a manager's declaration can have the opposite pragmatic or illocutionary force. You can learn from the existence theorem of mathematics beloved in highbrow economic theory—itself part of the humanities, not the quantitative sciences—that there might exist a category of spillovers in free markets that might justify massive intervention by a hypothetically perfect government of benevolent philosopher kings. The categories themselves of spillover (any effect whatever?), justified intervention (shooting polluters?), government (monopoly of violence?), benevolent (toward whom?), and philosopher (not rhetorician?) are themselves appropriate subjects for a humanistic inquiry.

The experimental economist Bart Wilson, who coined the term "humanomics," recently used the philosopher Ludwig Wittgenstein (1889–1951) to locate the sense of justice not merely in the utility functions of individuals but in the language game they play.[1] He is the only economist to use Wittgenstein deeply. I myself have begun to use the philosopher John Searle (1932–) to bring the study of economic institutions up to philosophical and literary speed in the matter of categories to count.[2] Such a game pays off scientifically. That is, you can learn the categories of human meaning, the first step in a science, by getting to know, on all the matters that most concern us, "the best which has been thought and said in the world" by a variety of philosophers, from Confucius (Kongzi, Kung the Teacher) to Amartya Sen. The guides in the present book are expert and reliable, telling you what was said by such men. (I note, alas, the absence of women. The philosophers Elizabeth Anscombe, Philippa Foot, and Martha Nussbaum on virtue ethics could teach business ethics, too.)[3] The book's message is the following: Read the best philosophers, read their very texts, and see how they can be of use in a commercial society.

The second step, the test of usefulness in understanding and practicing in a commercial society, is crucial, because, as is shown here repeatedly, until the Bourgeois Era, and indeed well into it (in Marx and Rawls and even Sen), the philosophers seldom escaped from the antibusiness prejudices of their societies, especially of the intellectual elite. Fred Miller in his essay, for example, has the difficult task of making aristocrat-loving Aristotle useful for business ethics. He does it with what the Greeks called an *elenchus,* a judo move, one worthy of Socrates himself. Nicholas Capaldi rescues Mill's utilitarianism from vulgarity by showing that Mill's core value was human dignity. The move raises the study of business ethics above the utilitarianism of adding up the costs and benefits of stakeholders. Likewise Douglas Den Uyl argues that in the Blessed Adam Smith "commerce . . . promises only fittingness and progress, not personal happiness." The poor boy who strives, for example, may deform his character by doing so. Yet, Den Uyl argues, Smith saw beauty—yes, beauty—in the commercial whole, "the obvious and simple system of natural liberty." "Smith can reasonably claim," Den Uyl writes, "that one can have unfavorable attitudes toward many of the actors within a commercial setting ['People of the same trade seldom meet together . . .'] while still being favorably disposed toward commerce generally," because in Montesquieu's words (see Henry Clark's characteristically lucid essay) it softens and civilizes. I myself would observe that the deformation of the poor boy's character by commerce is perhaps no worse than deformation of the little lord toward arrogance and deformation of the novitiate toward monkish vices. In the mass it may be better.

Consider another example of the scientific gain to philosophical sophistication, from Fr. Martin Schlag's essay on what would seem a hard case, the Divine Doctor, Saint Thomas Aquinas—whose orthodoxy among Roman Catholics sometimes gives nonbelievers an excuse to ignore this most brilliant of philosophers. Aquinas is not, Schlag points out, a methodological individualist. He justifies private property by its social consequences, for the common good. As is often the case, Aquinas thought notably more clearly than many of his successors. The Lockean notion many centuries later of justifying property by the mixing of labor with the land is hopelessly ambiguous. Ask: Does the labor of one's first-grade teacher justify her getting a share of your property? Did you build that? By contrast the social usefulness of a system of business is plain to see. *Someone* must own the land if it is to be used properly, and leaving it to oxymoronic "public ownership" does not do the job.

Aquinas and his teacher Albert the Great, Schlag writes, "overcame the somewhat negative attitude toward private property predominant in the tradition that preceded them. . . . Thomas's arguments for property aim at the better functioning of the whole." "Better functioning" is a matter of *teloi,* ends, the consideration of which, as Schlag also points out, is supposed to be forbidden to modern social scientists. No discussion of ends, please: we're social engineers. Yet the individualism of a libertarian such as the economist Murray Rothbard—and Mill (as Capaldi points out) and Hayek (as Karen I. Vaughn points out)—did in fact consider the ends of human flourishing.[4] Schlag puts Thomas in a middle position, "too concentrated upon his rejection of greed to accept the inner logic and positive consequences of international [and for that matter local] commerce based on profit." And so are many students of business and theology to this day, too concentrated on rejecting greed to see that greed is not peculiar to commerce.

Not all the writers here escape from such antieconomic prejudices in their philosophers. Todd Breyfogle is correct to quote Saint Augustine: "We must use this world and not enjoy it"—that is, use it to attain true and proper ends, above all spiritual ends, not for mere pleasure. Ice cream again. Yet what Augustine fails to understand, and with him Pope Francis I, is that riches come in a virtuous commercial society overwhelmingly from service to others. The mistake is to look only at the balance sheet of the entrepreneur, asking whether she gives some of her net wealth to the Salvation Army, and not noticing what she creates for others in her income statement down in the marketplace. The urban monks of the thirteenth century such as Saints Albert and Aquinas and Francis noticed the creative side, analogizing the businessperson's to God's creative work. As Montesquieu said, as Henry Clark reminds us, at that point the "theologians were obliged to curb their principles, and commerce . . . returned . . . to the bosom of integrity."

One way to use the philosophers of olden days is to shift their emphasis on political philosophy to the philosophy of corporate governance and economic regulation. David Elstein and Qing Tian, for example, use Confucius (Kongzi) and Mencius (Mengzi) on the government as models for corporate behavior, noting that in ancient China a citizen dissatisfied with one ruler could decamp to another. (Alan Kahan appropriates Tocqueville in the same way, a business being a voluntary association for pursuit of goals in a society of equals.) Yet Confucianism, Elstein and Tian argue, can sometimes overemphasize individual ethics, in contrast to Western political and economic thought overemphasizing formal law. "The Confucian ideal is to be motivated by intrinsically following the Way. . . . Coercive measures alone [it said] are not enough." That the Confucians emphasized ethics as against compelled law is news to me, and useful as a corrective to the a-ethical inadequacies of neoinstitutional orthodoxy these days in economics: "Add institutions—compelled rules of the game, new laws, fresh constitutions—and stir."

Some economists want to reduce ethics to incentives. The tactic assumes that incentives will work so as to make it unnecessary for anyone actually to have ethics. The corresponding error, common in recent thinking about ethics, even in business ethics, is to suppose that ethics is only about grand issues such as murder or abortion or outright fraudulence in accounting, the instances of television dramas, one might say. But it is also about daily goodwill and one's identity as a professional, such as an accountant doing as well as she can or a professor earnestly trying to tell the truth or a New Orleans police officer not abandoning the city during Katrina.

Hobbes famously wrote, Timothy Fuller reminds us, that "the force of words being (as I have formerly noted) too weak to hold men to the performance of their covenants, there are . . . but two imaginable helps, . . . either a fear of the consequences . . . or a glory or pride in appearing, . . . [which]

latter is a generosity too rarely to be found to be presumed on." Hobbes was quite mistaken in this, and set political philosophy off in the wrong direction of ignoring rhetoric and attending only to interest.

Hobbes was also mistaken in supposing that the government can easily apply the rod to interest. Two centuries prior, Ibn Khaldun wrote of a *muhtasib* (the "powerful market supervisor," in the words of Munir Quddus and Salim Rashid) who "sees to it that the people act in accord with the public interest in the town." Yet even the Romans had been suspicious of such an economic deus ex machina, asking, "Who supervises the very supervisor?" The saints required to run central-planning socialism of the Oscar Lange sort described in Karen Vaughan's essay are not in ample supply. As Matt Zwolinksi notes, it was assumed during John Rawls's 1960s, in the bright dawn of social engineering (I remember it well, with a certain fondness), that the "technocratic state" could easily surpass in justice and efficiency a liberal market order.

So, in short, conform to law and ethical custom, and read here the ethical and political philosophers, and then sit and think about our lives in business.

NOTES

1. Bart J. Wilson, "Social Preferences Aren't Preferences," *Journal of Economic Behavior & Organization* 73 (2010): 7–82.

2. Deirdre N. McCloskey, "Max U versus Humanomics: A Critique of Neo-Institutionalism," *Journal of Institutional Economics* (Spring 2015): 1–27, doi:10.1017/S1744137415000053; and Larry Arnhart, "Lockean Liberalism as Symbolic Niche Construction: Locke's Mixed Modes and Searle's Institutional Facts," *Darwinian Conservatism* (blog), June 11, 2015, http://darwiniancon servatism.blogspot.com/2015/06/lockean-liberalism-as-symbolic-niche.html2015.

3. Elizabeth Anscombe, "Modern Moral Philosophy," *Philosophy* 33 (1958): 1–19; Philippa Foot, *Virtues and Vices and Other Essays in Moral Philosophy* (Berkeley: University of California Press, 1978); and Martha Nussbaum, *The Fragility of Goodness: Luck and Ethics in Greek Tragedy and Philosophy* (Cambridge: Cambridge University Press, 1986).

4. Gerard Casey, *Murray Rothbard* (New York: Continuum, 2010), 42.

In business ethics, our aim is to get at whatâ€™s externally valuable â€” considerations like fairness, honesty, and generosity. In doing so, we might avoid being guided by our own personal values, instead making business decisions with higher objectives in mind. Finally, whatâ€™s ethical and whatâ€™s legal are often closely related. Laws are often made with ethical considerations in mind, as a way of compelling individuals or organizations to act in the interests of the world and people around them, instead of exclusively acting in their own self-interest. However, whatâ€™s legally required doesnâ€™t alw...Â Ethics for small business. Big businesses have ethics officers and committees because they have a lot to lose and the resources to prevent it.