

ETHICS AND ECONOMICS

Ethical Boundaries of Capitalism **Daniel Daianu and Radu Vranceanu (Editors)** Hants, United Kingdom: Ashgate, 2005 (259 pages)

This is an anthology by Europeans (mostly Romanian and French) for Europeans trying to understand American “capitalism.” It is focused on understanding corporate ethical and legal lapses of the past decade and raises the question of the extent to which government regulation is an adequate solution.

I put the term *capitalism* in quotes because it is a loaded term carrying a great deal of historical and theoretical baggage. The first essay for example, by Bibard, identifies as a basic value of capitalism “the individual’s faith in his ability to control his environment.” Thereafter, no uniform account is offered.

Without explicitly stating so, the presumption of the editors is that recent scandals, such as Enron, are the tip of a moral iceberg, presaging moral and economic collapse. Publicity aside, no indication or evidence is given of the severity of the problem. We are never told how widespread corporate ethical misconduct or fraud is.

Scope aside, everything turns on how one understands the human propensity for misconduct. Given the social scientific background of the contributors, one possibility is automatically ruled out, namely that human beings have free will and are apt to be sinners regardless of the circumstances. The basic presumption of the contributors is that conduct reflects solely institutional structures. Hence, the question is framed as to whether something called capitalism encourages or discourages ethical behavior and whether government regulation is needed.

The five essays in part 1 argue in various ways that the institutional structures of capitalism are ethically inadequate. Of special interest is the Weberian claim that capitalism had a moral (religious) foundation but has subsequently lost it. The loss is attributed to: (1) excessive economic rationalism, (2) the replacement in the late nineteenth century of Calvinism by Spencerian social Darwinism, and (3) the focus on wealth production to the exclusion of considerations of distribution.

The four essays in part 2 defend the capacity of markets to provide incentives for ethical conduct and point out the obvious and now familiar dangers of ethical misconduct on the part of government regulators.

Two things are worth noting about the two positions outlined above. First, the advocates of government regulation never recognize or address the critique of governmental corruption. One gets the impression that the government is a *deus ex machina*. There is a kind of excessive political rationalism that assumes that democratic discussion ensures that every institutional malfunction can be corrected at another level by further discussion and another institution. The Hayekian insight about unintended consequences is simply ignored. Second, the defenders of capitalism in this volume never move outside the confines of market behavior to consider the larger cultural/moral/religious context within which markets function. That is, they never recognize or address the erosion thesis. They offer a hermetically sealed version of market behavior. The rich literature to be found in such places as the *Journal of Markets and Morality* would help them to see this problem in a completely different light.

One noteworthy dimension of the last essay in part 2, "On Ethical, Social, and Environmental Management Systems" by Antonio Argandoña, is an outline of an internal corporate ethics program that closely mirrors the recent changes in the Sentencing Guidelines.

There are four remaining essays. One is noteworthy: chapter 10, "Is Ethical Marketing a Myth?" by René Darmon. It is the best concise summary of the major ethical issues in marketing that I have found to date. Chapter 11 offers a law and economics solution to environmental problems. The author of chapter 12 attributes corporate scandals to deregulation, somewhat reminiscent of the film *The Smartest Men in the Room*. Chapter 13 offers a journalistic summary of the Grasso compensation scandal. Curiously, the author fails to build on his own recognition that the process in this case was self-correcting.

The foregoing view of America is typical of what one would expect from secular European social scientists whose knowledge is taken primarily from a selective bibliography (Leo Strauss and Judith Sklar for example). It tells us a great deal about Europe but unfortunately very little about America. Europeans continue to be baffled by the importance of religion in American life. Both editors, by the way, are contributors who hold a proregulation position. Finally, I note that because English is not the first language of these authors, there are some awkward passages.

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