

## **ETHICS AND ECONOMICS**

### **Ethics in the Economy: Handbook of Business Ethics**

**Laszlo Zsolnai (Editor)**

Bern, Switzerland: Peter Lang, 2002 (331 pages)

The fifteen authors of this book represent ten countries and are part of the Inter-Faculty Group in Business Ethics of the Community of European Management Schools, which was founded in 1988 as an association of top-level schools in European management education. The authors cover a wide range of topics with chapters on organizational ethics, corporate transgressions, international ethics and globalization, managing sustainability, value-based leadership, the future of capitalism, et cetera.

The book promises in its opening pages a “new agenda for business ethics.” By this, the authors intend, among other things, the rejection of the “mainstream” perspective that business ethics is to be treated as a “value added” item, superimposed on the traditional view of business. Business ethics should be more than applied ethics. The authors seek an integrative approach. They attempt to offer a critique of economic reason and to provide a new foundation for economic reason itself. They reject economic determinism and the *Homo Oeconomicus* model that assumes that agents are simply self-interest-maximizing beings.

Consistent with these assumptions, the authors reject the notion that economics or any of the social sciences are “value free”—a notion that has been influenced by twentieth-century positivism. If economics is not value-free and the institutional structure of business is not value-free, then business ethics cannot uncritically accept business and economics as givens and only then ask, How can we help this structure to function ethically? Ethical critique begins at the foundation: “The foremost task of

economic ethics is, therefore, to concern itself critically with the normative foundations of supposedly value-free, 'pure' economic thought." (11).

The authors are clearly concerned that the institutional structures of business are "disembedded" from social structures and the persons who comprise them. Pure economic rationality does not take persons and other institutional structures into account. Therefore, if left unchecked, it will be destructive both to persons and society. It will also be destructive to capitalism itself. It is clear that the authors do not wish to destroy capitalism but to save it by subjecting it to critique and constraints.

Several things impress this reviewer about this "Handbook of Business Ethics." In the first place, it makes an impressive effort to be such a handbook. The critical perspective of the book is not new. What it does, however, is document and review the various efforts, organizations, policy statements, and position papers that have been developed to deal with the various issues raised. Thus, it is a good resource for discovering what has been done and proposed in the areas covered. A student wishing to review and to find a starting place for research on the ethical theory of the firm, the stakeholder corporation, ethical dilemmas of corporate functioning, organizational ethics, managing sustainability, or international ethics and globalization, can do worse than to start with the chapters on these topics.

Secondly, the credentials and breadth of perspective of the authors is impressive. Schools where the authors teach and/or have studied include Stanford University, Harvard University, Budapest University of Economic Sciences, University of St. Gallen in Switzerland, Catholic University of Milan, Erasmus University Rotterdam in the Netherlands, Universities of Köln, Freiburg, and Heidelberg, and the University of Zimbabwe. They have degrees in economics, business, political science, psychology, history, theology, organizational studies, and sociology. A number have had extensive experience in business and in organizations and associations that place them at the forefront of discussions regarding business ethics in their own countries and on the European and international scene.

This is an important book for anyone wishing to understand business ethics. The authors make a sincere and effective attempt to provide the analytical framework and specific research for a critique of the foundations of business ethics. They make reference to general ethical theories but also engage in the kind of "middle range" analysis that enables one to apply general theories to specific problems in business. The European perspective is useful perhaps especially for less-critical American students of business. The authors are in favor of capitalism but there is a tone of guarded optimism about their treatment. The book provides critical analysis without diatribe. It includes Eastern European voices. They have read Marx and experienced Marxist determinism face-to-face. It is clear that they have read Weber as well. They have no desire to replace the economic determinism of Marx with the economic determinism of an uncritiqued and unrestricted capitalism. They do not want to replace Marx with Weber's capitalism of an "Iron Cage" that levels all other institutional structures and the persons that inhabit them.

This is not, in my view, a good first text for students with limited background in social ethics. Social ethical theories (Kant, utilitarianism, Marx, Spencer, Nozick, Rawls, etc.) are dealt with but not introduced adequately. I also would like to have seen more case studies included, which would give beginning students a chance to sink their teeth into some of the concrete problems that emerge when capitalism is unleashed without reflection and constraints.

Whether or not this book is included as assigned reading to students, it should be recommended to them. Anyone aspiring to a modest competency in the field of business ethics should put it on his or her reading list. It deserves inclusion in the graduate and undergraduate libraries of all colleges and universities. *Ethics in the Economy: Handbook of Business Ethics* is an important book because it gives a balanced and detailed analysis of the important thesis summed up by the editor Laszlo Zsolnai: "If we want to sustain capitalism for a long time, we have to create a less violent, more caring form of it" (306).

—Richard F. Von Dohlen

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## Capitalism and Commerce: Conceptual Foundations of Free Enterprise

**Edward W. Younkins**

Lanham, Maryland: Lexington Books, 2002 (367 pages)

Economic arguments for the free-enterprise system aim to show that unrestricted market activity or, perhaps, only moderately restricted market activity on the part of minimally rational agents maximizes efficiency and human well-being. Moral arguments for the free-enterprise system aim to show that there are a number of important virtues associated with people pursuing their ends within relatively unrestricted markets, or that they have a natural or some other important kind of right to do so, or at least that it violates no one's rights that they do so. Proponents of free enterprise would like both the economic arguments and the moral arguments to be sound. Typically, however, especially in introductory books aimed at a general audience, free-market-oriented economists attempt to make the economic case for free enterprise while paying scant attention to the moral case. At the same time, moral philosophers who are proponents of natural rights attempt to make the moral case for free enterprise while largely ignoring the economic arguments. These respective arguments are, as a result, incomplete, and, unfortunately, it is not entirely adequate simply to cut-and-paste, merely combining the two sides. Preferably, there would be an argument that integrates the human propensity to "truck and barter" goods with our role as free and responsible moral agents.