

convincingly refute our conventional assumptions about profit-maximization and the overriding priority of stockholders among stakeholders as expressed in the financial theory of the firm. The effort to navigate between the Scylla of managerial prerogative and the Charybdis of employee adversarialism is not likely to succeed unless the true dimensions of the elusive obstacles of capitalist finance are accurately mapped and accounted for.

Friedman may be wrong in asserting that the purpose of a business is to maximize profits—just as Drucker may be wrong in asserting that the purpose of a business is to create a customer. But if Herman is to differentiate his position from the “ethical managerialism,” which he rightly criticizes, he would do well to triangulate his analysis so that the conflicts between investors and managers, as well as those between top management and middle management, are just as visible as those between managers and employees. Such a triangulation need not be reductively Marxist and need not warrant the incorrigible pessimism of those “prophetic critics and skeptics” who regard capitalism as inherently evil, but it would allow us to recognize that managers (as well as employees) need to rely—beyond their own good intentions—on the common good embodied, monitored, and effectively enforced by a credible and effective scheme of government regulation. The search for a covenantal ethic, if it is to be Christianly realistic, may have to focus some of its attention, for example, on the Securities and Exchange Commission and on the other gatekeeping institutions that have failed the markets so miserably over the past decade or so.

Despite these criticisms, or perhaps precisely because of them, Herman is to be recognized and commended for his genuine contribution to the credibility of any proposal for a covenantal business ethic. His making explicit once more the underlying biblical principles often given short shrift in glib invocations of such an ethic, his penetrating interpretation of the morally ambivalent legacy of American labor-management relations, and his impressive development of organizational theory as a resource for Christian business ethics, all encourage the view that the concerns that I have raised here need not dissolve into a pretext for self-righteous but basically bankrupt, moral posturing.

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**Social Justice in a Market Economy**  
**Hermann Sautter and Rolf Schinke (Editors)**  
Frankfurt, Germany: Peter Lang, 2001 (194 pages)

From the beginning of the Industrial Revolution, one region of the world has been repeatedly put forward as the area for the next great expansion resulting in significant economic power: Latin America. Just as repeatedly, Latin America has disappointed those aspirations. The number of false dawns for individual countries and the wider region has itself been a topic of much research. The current volume attempts to present

institutional concerns that affect Latin American economic and social development today but from a specifically German perspective. Included in the analysis is a critical examination of areas where Germany itself is currently challenged.

This volume is a collection of papers presented at the 1999 Summer School on Social Justice in a Market Economy sponsored by the Ibero-American Institute at Göttingen, Germany. The participants in the summer school were twenty-five young scholars in economics and political science from eleven Latin American countries. The underlying message of the series of papers is that Latin America needs to look at the variety of social institutions throughout the developed world to determine which are appropriate institutional frameworks for their own situations. Rather than rely on the dominance of North American thought, some perspectives from Europe could be of use.

The nine papers can be divided into these sections: Introductory and conclusion; general international comparisons on health policy and pensions; German-specific studies on (a) the social market economy, (b) educational policy and (c) the labor market; and Latin American-specific studies on the general level of development and the recent reforms in health policy.

Since these papers were meant to inform Latin American students of the institutional frameworks with which they would not be familiar, this volume can be read by anyone as a primer in the concerns of developing a vibrant economy while still preserving the social cohesiveness of a society.

Sautter's introductory paper frames the other papers well. He outlines an ideological perspective of social justice that influences the other papers. The capitalistic market cannot be left alone to determine how economic resources are allocated, he insists. Primary for the market is the requirement of a strong state, by which a strong and just legal system can be created and sustained. The state must provide the foundation for the market to function in the first place. In addition, the state must moderate any excessive inequalities that result from the capitalistic system while still not eliminating the risk needed for market mechanisms to function properly. The policy dilemma is to determine where the fine line is between cultivating the long-term success of the market economy and depressing economic growth to the detriment of society.

These policy decisions are then seen through the institutional frameworks of education and social services, the traditional areas where government has intervened in the market so as to engender a more just society. The market is not seen as detrimental to social justice but, rather, the market needs policies inspired by social justice to maintain the social foundations from which the market can grow, long term, such as the development of human capital through educational policies, the maintenance of the health of society, and reassurance against the economic fears of old age.

Solutions to these policy dilemmas are not predetermined. Rather, they are dependent on cultural and historical contexts. Where German examples are given, they are not seen as the ideal. The well-developed, firm-specific, apprenticeship training system in Germany is described with its social and economic contexts. This description

demonstrates why it is successful in maintaining a relatively low unemployment level for the young. There is a clear understanding that to translate this to Latin America would require significant adaptation to its social and economic contexts.

The comparative papers on health policy and pensions are very good primers for determining the options for key policy decisions. The later paper on recent Latin American health-care reforms provides a good example of the type of concern that one would have in implementing reforms within certain social and economic contexts. No ideal reform can be taken off a shelf and introduced within a different social and economic background. Such implementation issues are seriously discussed throughout the book. The papers specific to Germany will be useful for anyone who is not knowledgeable on the history and framework of the post-war German economy.

Most of the papers are qualitative in nature. Some provide economic figures, and a few develop some quantitative modeling. However, the focus is always on the qualitative policy concerns.

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## **Ethical Business Leadership: Balancing Theory and Practice**

**Sherwin Klein**

New York: Peter Lang, 2002 (132 pages)

The fields of professional ethics do not always serve their professions well. It is often difficult to determine whether the introduction of formal courses in applied ethics actually makes a difference in the professional conduct of the students who take them. This may be especially true in the specialty of business ethics. Scores of books, perhaps more than one hundred, are now in print in this area, with more certainly to follow. In the last year or so, though, questions have been raised in many quarters about the real impact that courses in business ethics have had on business school graduates. The corporate scandals of 2002 suggest that a quarter century of ethics education has not dramatically improved the standard of practice.

While Sherwin Klein's *Ethical Business Leadership* is not written as a textbook, it is nevertheless a refreshing contribution to the field of business ethics. A collection of previously published essays reworked into loosely connected chapters, it argues for a fundamental rethinking of the way in which ethical theory is brought to bear on the problems of management.

One of the consistent obstacles to doing professional ethics well is the unavoidable need to bring together an appreciation both for the real challenges of professional practice and for the insights of ethical theory. Klein turns his attention to both parts of the whole. In his first chapter he criticizes the view that management is another kind of *techné*, or skill, and argues instead that successful organizations require liberally edu-