

Learning from History*

The Relevance of the History of Business Ethics for the Practice of Business Ethics

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Why should those currently engaged in business ethics seek a fuller understanding of how others engaged in these practices in the past? This essay addresses this question by reviewing in broad historical strokes three typical expressions of the practices of business ethics: namely, efforts to cultivate fitting virtues, efforts to enhance the ethical problem solving capabilities of businesses, and efforts to establish publically enforceable normative standards/laws. Using seven huge, troubling contemporary ethical crises as a point of reference, the essay concludes by examining ways businesses learn from a critical review of the history of business ethics in order more responsibly to address these issues.

Keywords: History, Ethics, Business, Stakeholders, Corporate Governance, Ethics as Social Practice

Von der Geschichte lernen – Die Relevanz der Geschichte von Unternehmensethik für die Praxis von Unternehmensethik

Warum sollten diejenigen, die sich gegenwärtig mit Unternehmensethik befassen, ein breiteres Verständnis davon anstreben, wie man in der Vergangenheit Unternehmensethik praktizierte? Der Essay verfolgt diese Frage, indem er in weiten historischen Strängen drei typische Ausdrucksformen unternehmensethischer Praxis untersucht: nämlich Bemühungen (1) geeignete Tugenden zu kultivieren, (2) die ethischen Problemlösungsfähigkeiten von Unternehmen zu erweitern und (3) öffentlich durchsetzbare normative Standards und Gesetze zu schaffen. Mit Blick auf sieben tiefe, gegenwärtige ethische Krisen schließt der Essay, indem er Wege auslotet, wie Unternehmen von einer kritischen Prüfung der Geschichte von Unternehmensethik lernen, um die damit verbundenen Probleme verantwortungsvoller anzugehen.

Schlagnwörter: Geschichte, Ethik, Unternehmen, Stakeholder, Corporate Governance, Ethik als soziale Praxis

1. Introduction

This essay attempts to address a broad question that may be posed in several ways. Why should those currently engaged in practicing business ethics seek a fuller understanding

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of how others have engaged in this practice in the past? Or, to ask this question in a somewhat different way: in what ways are studies of the history of business ethics likely to influence how people should practice business ethics in the present? To be sure, those interested in particular topics in business ethics – such as, ethical investing, corporate governance, labor relations, or environmental stewardship – are likely to find ways to improve their craft by studying the history of these topics. In this essay, however, I want to address a broader question about how historical studies of business ethics in general can play a critical role with regard to current practices of business ethics. Further along in this essay I will point to a number of pressing ethical issues facing businesses today and then explore how we might seek to address these issues based on the review of business ethics found in the first part of this essay.

I review the history of the practice of ethics with respect to business by focusing on three characteristic expressions of this practice, each addressed to a somewhat different audience. The first expression has sought to cultivate among individuals valued dispositions – virtues – relevant to modern business activity. The second expression has sought to enhance the capacity of business organizations, and those who lead them, to identify and respond to ethical issues. The third expression, focusing on business activity in general, has sought to establish publically enforceable standards – usually laws – with respect to business practices. From the perspective of history, I attempt to see what we can learn by surveying historical changes with respect to these expressions since the beginning of industrialization.

History has been described as contemporary thought about the past (see Collingwood 1956). Accordingly, what we learn from history depends upon the questions we ask and the concerns we raise. With respect to the history of business ethics, many people have written instructive essays on particular topics, such as histories of labor negotiations, the diverse roles of businesses in developing countries, investigations of the origins and development of transnational business codes, and accounts of the development of environmental policies (see Edwards 1979; Hajduk 2014; Drohan 2004; Bird et al. 2016; Hoffman 2001). A recent book, *Corporate Responsibility: The American Experience*, charts the history of corporate responsibility in the United States. It is packed with useful information chronicling both changing business practices and evolving policies both public and private with respect to the social responsibilities of businesses in that country (see Carroll et al. 2012). In this essay, I attempt to explore what those currently engaged in practicing business ethics can learn more by reflecting on the ways business ethics has been practiced more generally in the past.¹

¹ This essay consists not so much in a history of business ethics as in an interpretation of the history of business ethics. In this essay I do not attempt to provide either a condensed history of business ethics or a schema to identify major changes. Rather, I look broadly at the history of characteristic expressions of the practices of business ethics in order to chart the degree to which we need both to build upon and modify these traditions as we address contemporary ethical crises with regard to business. In a previous essay, revised for this publication, I argued for the importance of an historical mindset for the practice of ethics generally as well as with respect to business activities. In this previous essay I did not focus on the history of business ethics as such but on how the understanding of past events and present contingencies well serves those wrestling with current ethical issues (see Bird 2008).

How we view the history of business ethics is decisively influenced by our views of ethics. In this essay I regard ethics broadly as a social practice. Accordingly, people engage in this social practice whenever through communicative activity they seek to influence and/or evaluate their own behavior or that of others by invoking normative expectations. Norms refer to standards that identify how we ought to act. Normative expectations are in varying degrees viewed as being authoritative, compelling, obligatory, and valued. We correspondingly feel we should either act in keeping with these expectations or be able to offer good reasons why not.² These normative expectations are typically associated with all of the following features, although prominence may be assigned to one or more of them:

1. fitting ways of acting, usually identified as “right” or “obligatory”
2. valued objectives or ends, typically identified as “goods”
3. morally worthy dispositions, typically identified as “virtues”
4. honored conventions, often associated with “mores” or “folkways” and
5. exigent possibilities, often associated with pragmatic alternatives.

In practice, there are often gaps between how people genuinely feel they ought to act and how they in fact do act. This discrepancy occurs for diverse reasons including the fact that we assign greater priority to some norms over against others, we face resistance and oppositions from others, we have made excessively demanding commitments, and we have become inattentive. In addition, it is critical to observe that many people, including many business people, fail to act in accordance to their professed moral commitments precisely because as the hypocrites they may be, they voice commitments they do not actually hold.

When we think of the practice of business ethics in these broad terms, we see that over time many different kinds of people and organizations have engaged in the practice of ethics with respect to business. The scope of these practices extends far beyond those who formally identify themselves as business ethicists. The scope includes managers and consultants, trade unions and civic associations, accountants and lawyers, politicians and judges, as well as diverse religious leaders and academics. These people have engaged in business ethics through practices that include moral problem solving as well as

² For a more elaborate discussions of normative expectations, see Emile Durkheim’s essay on “The Nature of Moral Facts”, in which he produces a synthesis of both Kantian and Utilitarian ideas. Viewed as a social practice, most people engage in ethics as they raise their children, make important decisions, criticize the behavior of others, develop policies, and attempt to resolve conflicts in so far as in all these examples they directly or indirectly invoke normative expectations. As they practice ethics, people utilize the diverse languages of philosophy, religion, tradition, law, economics, politics, and legend. While these language systems embody normative expectations often in decisively different ways – some of which I will discuss further along in this essay – they all have been still used to express normative expectations and in practice they often overlap. The practice of ethics is an inherently rational activity. As people engaging in ethics they seek to communicate in ways that are intelligible to others, they offer reasons (explanations, examples, and arguments) for the positions taken, and they seek to express their ideas coherently. They are rational in this way because in so far as they are engaged in ethics they seek to occasion conscious choices rather than directly coerced compliance.

social protests, through the development of corporate welfare programs and the drafting of industrial and professional codes, through workshops on conflict resolution and enactment of legislation. To be sure, those involved in business ethics, understood in these broad terms, have often referred to what they were doing not only or not primarily as business ethics but also or alternatively as expressions of civic mindedness, smart business practices, sustainable development, defense of the working classes, social responsibility, or responsible investing.³ They have engaged in ethics with respect to business both for constructive purposes and at times more morally ambiguous objectives.⁴ Viewed historically, we will also see that the practices of business ethics have assumed many different forms, reflecting both cultural differences and historical changes. As we will see, the practices of business ethics have in part evolved in response to these changes.

Business practices have certainly changed enormously over the past two centuries. In both the industrialized and developing countries, people increasingly live in market societies. In sharp contrast to the situation 200 years ago, most people now work for businesses that are separated legally and spatially from their households. Not only do most people now work for businesses but governments and civic associations are increasingly operated like businesses. As farms steadily began producing for markets, they also correspondingly began to be operated as businesses. The size of businesses has increased as has the diversity of the types and character of firms by which people engage in business. Not only has there been a steady growth in the number of small enterprises, especially in developing areas, there has also been a marked growth in the development of huge businesses, many of which have become multi-national enterprises (see Chandler 1977; Bendix 1956; Weber 1961/1923). The hundred largest business have budgets bigger than most countries (see Gleeson-White 2014). Over the past two hundred years businesses have increased in number, scope, and influence.

Over time the character of business organizations and their relationship with the public have changed as well. Many businesses have become large and complex, multi-unit organizations. As result of waves of globalization in the generation before the First World War and in the half century since World War Two, many more firms are either operating or sourcing internationally. Initially structured in order to foster effective productive processes, in modern mass consumption societies businesses have been progressively

³ It is a mistake to think of business ethics in a restricted way as the practice of thinking about ethical issues in business in terms of models developed by philosophical ethics. Clearly, many people engage in the practice of ethics both generally and with regard to business without any reference to philosophical ethics. It is the special calling of philosophical ethics to help people who engage in the practice of ethics to do so more thoughtfully and with greater clarity and with an enhanced sense of alternative possibilities.

⁴ People often practice ethics for morally questionable purposes. Frequently, people engage in ethics in self-serving and/or self-deceptive ways in order to overcome feelings of bad conscience, to enhance their reputation, and to legitimate otherwise morally dubious actions. The fact that people are practicing ethics does not guarantee that they are doing so in constructive ways, for example, to solve problems, foster compassion and justice, and make fitting criticisms. They may well be narrowly protecting their interests, humiliating others, and/or reinforcing their own power. A number of authors have called attention to the moral ambiguity of ethical discourse, including Nietzsche (1954/1887) in *Genealogy of Morals*; Hebert Fingarette (1969) in his study of *Self-Deception*; and Dietrich Bonhoeffer (1955) in his *Ethics*.

transformed and organized to foster increased consumption of the goods and services they market. More recently, since the mid-1970s, businesses have been further transformed: they have been increasingly viewed and operated in relation to financial models, in which their worth is primarily assessed in terms of real or potential financial market value rather than in relation to their productive processes or marketing capacities (see Bell 1976; Fligstein 1990).

Viewed historically, I will examine the practices of business ethics with respect to three typical expressions: one, the cultivation of particular virtues appropriate for business; two, initiatives designed to develop the capacity for businesses and those who manage them to identify and respond effectively to ethical issues; and, three, efforts to establish publically enforceable standards. In the remainder of the paper, I will review these expressions and then provide an overall assessment of the history of business ethics and its relevance for the practice of business ethics today.

2. Business Ethics and the Cultivation of Valued Virtues

Many of those engaged in practicing ethics with respect to business have especially worked to foster and cultivate virtues that are conducive to successful business activities. To be sure, different cultures have assigned prominence to different virtues. Correspondingly, while I will discuss several virtues that have been highly valued in industrialized countries over the past several centuries, I recognize that the ranking of these virtues has varied considerably with cultural differences.⁵ I will examine the cultivation of these virtues from a historical perspective, highlighting a selected sampling of virtues that seem to have been especially valued. While I will focus on particular virtues, I will also discuss the various ways people have sought to cultivate these virtues.

In *The Protestant Ethic and The Spirit of Capitalism*, Weber argued that two inter-related virtues – a disposition for self-disciplined work and a disposition for thriftiness – played an instrumental role in the processes leading to industrialization in the Western world. He used the term “Spirit of Capitalism” to refer to these dispositions, which he in turn referred to as a practical as opposed to a theoretical ethic. The work ethic was associated with a disposition to work industriously in self-disciplined ways, seeking always to make the best use of available resources and time. The thrift ethic in turn was associated with the disposition to defer immediate gratifications in order to maximize long term benefits. Both dispositions led people to seek to reduce waste and to encourage the effective utilization of every opportunity (see Weber 1958/1904).

A case can be made that these virtues have been important both for managers and employees in modern industrialized enterprises. They have helped to foster entrepreneurship, saving and investment, efficient work patterns, and productive workforces. Various institutions and organizations have directly and indirectly helped to cultivate these virtues, including diverse religious groups – such as Confucianism in Korea, Christian sects in the Netherlands, and Ecclesiastical Base Communities in Brazil, as well as modern school systems and professional associations.

⁵ While it is important to be attentive to these differences, it is easy to over generalize about them. For example, while loyalty (family, ethnic, etc.) is often associated with oriental cultures, an American philosopher, Josiah Royce (1908), argued that it was a particularly American virtue.

These virtues have contributed in a number of ways to the development and growth of thriving businesses in modern industrial societies. In addition, it is useful to inquire about whether and in what ways these virtues are still valued and cultivated both in contemporary industrialized societies and in societies that have not yet or are only beginning to be industrialized – that is, in developing societies. In both situations business people often face the challenge of attempting to foster the kind of effective workmanship and efficiency occasioned by these virtues among their employees, where many of their employees do not have these virtues. Instead many employees work with their own sense of time and their inherited preference for leisure activities over work (see Bird 2004; Weber 1958/1904). Sometimes successfully but often not, business people have variously attempted to regiment, scientifically organize, and/or paternalistically offer workers benefits in hopes of fostering effective workmanship. This remains an ongoing challenge in many areas.

Modern industry also places a great value on self-disciplined work. Businesses are much more productive in settings where it can be taken for granted that workers – whether employees or managers – without directly being supervised will make effective use of their time to accomplish what it is expected they will get done. Businesses thrive where this assumption seems credible. Where it is not credible, there are higher levels of tardiness and absence and much lower levels of productivity (see Mowday et al. 1982). However, especially but not only in traditional societies, it is not always easy to foster self-disciplined work: as Weber (1958/1904, Chapter 2) observed leisure or working at one's own pace and own sense of time is more highly valued. Correspondingly, businesses have over the years initiated all sorts of schemes – including Scientific Management, paternalism, Human Resource Management, and harsh controls – to foster situations in which workers labored more effectively. These initiatives have had mixed results. The best results seem to occur when workers embrace the value of self-disciplined work on their own, occasioned by cultural values, a sense of professionalism, and/or semi-self-directing work settings.

In addition to self-disciplined work and thriftiness, two other virtues have been especially valued by business people as countries have industrialized: namely, trustworthiness and civic mindedness (see Carroll et al. 2012). To be sure, trustworthiness has long been a valued virtue, important as businesses engage in trade, develop working relationships with suppliers, and negotiate contracts. A reputation for reliability, for keeping one's word, and for honoring promises has long been a valuable business asset – as least with respect to others with whom one is doing business. As business people formed business associations, they frequently celebrated the virtue of trustworthiness. These associations also often valorized the virtue of civic-mindedness. It was taken for granted that successful businesses would contribute to the communities in which they operated. Because it was expected, they would make gifts to community charities, support local and larger conservation efforts, provide bonuses for loyal employees, support local civic initiatives, and create foundations for philanthropic purposes. While many businesses exhibited little evidence of this virtues, many other businesses during the nineteenth and twentieth centuries demonstrated a commitment to civic mindedness, at least on their own terms. In The United States the Civic Association and American Manufactur-

ing Association both sought to foster this virtue (see Weinstein 1968). In a famous sermon on *The Uses of Money*, John Wesley had urged Christians in the eighteenth century to work hard, save as much as they could, and give away all they could afford (see Wesley 1944).

In addition to trustworthiness and civic-mindedness, it was widely assumed that successful managers would cultivate additional virtues as managers. By the early twentieth century, as businesses grew in size and the numbers of people hired as managers increased, major universities established graduate schools of management. Implicitly and sometimes overtly, over time these schools were increasingly dedicated to fostering the idea that managing corporate organizations, like practicing law, medicine, engineering, or accounting, could be and should be thought of as a profession. Correspondingly, these schools and many business associations sought to cultivate virtues that they associated with management as a profession. What were these professional virtues? Since no discrete code of managing was developed either by these schools or business associations, we cannot definitively identify which virtues were especially valued. However, it is possible to call attention to three virtues, in addition to those already discussed, which seem to have been presumed to be especially in keeping with management as a profession, namely: the disposition to assume and exert responsibility; the disposition to exercise leadership understood as a readiness to look for opportunities and for strategic thinking; and integrity, understood as capacity to keep one's word and be reliable (see Barnard 1938; Selznick 1957). Many of these virtues were either overtly or implicitly invoked in an MBA oath, developed in the 2000s by students together with faculty members at Harvard Business School. In keeping with this oath managers are expected to serve their businesses and the larger society, to act loyally with respect to their enterprises, to use resources responsibly, and to refrain from corruption and self-serving conduct.

While these kinds of ideals have been widely and seriously invoked by many managers, many observers would argue that in practice managers frequently have seemed to honor somewhat different virtues. Robert Jackall instead has argued that ethics of managers in practice seem to be associated both with a personal commitment to seek every opportunity to advance one's own career and with a readiness to compromise principles in order to support and defend the practices of powerful superiors who are in position to facilitate or frustrate these career aspirations (see Jackall 1988).

Since the middle of the twentieth century, many business people and business organizations have sought to promote another somewhat more ambiguous virtue, namely the cluster of sentiments associated with consuming well. To be sure, many of those seeking to cultivate dispositions associated with consuming well, have not baldly defended consumption as a virtue. Rather, they have appealed to people's desires to express themselves, to cultivate particular life styles, to live well, and to explore increased opportunities with respect to dress, dining, recreation, travel, leisure activities, and entertainment (see Lasch 1977; Reich 1970). The valorization of consuming well represent a significant shift in virtues that seem to be especially important for thriving businesses. Consuming well is a quite different virtue than hard work and thriftiness. However, as Daniel Bell and John Kenneth Galbraith have argued, lauding consuming well as a virtue makes

considerable sense in economies that seem to especially depend on increasing consumption (see Bell 1976; Galbraith 1958).

Many critics of business have argued that modern business practices especially seem to encourage and be driven by greed, a much more morally questionable disposition. Whereas in the past the disposition for greediness was constrained or sublimated by disposition associated with the work ethic, thriftiness, and civic-mindedness, greediness now seems to be encouraged both by ways businesses stimulate people to consume and by an incessant drive to continue economic growth.

Overall, the virtues that business people have valorized have in turn helped to shape the ethos in which people engage in business. In more recent times, concerned observers have argued that both organizational and national cultures deeply affect not only how business people operate but also how they identify and respond to ethical issues. Correspondingly, as people overtly practice business ethics, they are well advised to consider how the ethoses in which businesses operate have been shaped historically by the virtues that business people have sought to cultivate and valorize. They also need to take account of how these ethoses differ in terms of cultural backgrounds and how they have changed over time.

3. Business Ethics and Efforts to Develop the Capacity to Identify and Respond to Ethical Issues in Business

In the previous section I focused on the role of business ethics in cultivating virtues – valued dispositions – among individuals as managers, workers, and consumers. I now focus not on individuals but on business organizations, those who manage and direct them, and their capacities to identify and actively address ethical issues. Historically, those concerned about ethics with respect to business have devoted considerable effort helping to develop these capacities. Developing these organizational capacities has typically assumed two complementary expressions: namely, one, the ability to identify and to monitor ethical issues with respect to business practices; and, two, the ability to deliberate and develop effective courses of action. Businesses and those concerned about ethics with respect to businesses have worked to develop these capabilities both in order to foster ethically responsible business practices and in order to develop voluntary business responses to issues as alternatives and complements to publically enforced responses.

One, businesses and those concerned about business ethics have worked to develop several different ways of identifying and monitoring ethical issues. There are, of course, a number of ways of identifying ethical issues. Particular groups and social critics have often played influential roles by calling attention to overlooked issues and pressing concerns. Think of the impact of most of Dickens' novels, Rachel Carson's *Silent Spring*, John Steinbeck's novel about migrant workers, and Pope Leo XIII's encyclical on the condition of the working classes. Many issues have been brought to light by managers and employees voicing their concern. In this paper, I will look especially at the ways those concerned about ethics with respect to business have used voluntary codes as a point of reference for identifying relevant issues.

A typical strategy for identifying ethical issues has been to prepare codes that set forth both minimally acceptable as well as more ideal moral practices with respect to businesses and then to monitor business with respect to these codes. In the process, it has been hoped, businesses will accordingly strive to act in compliance with these codes. Labor groups have long attempted to articulate standards regarding labor practices that defined safe working conditions, acceptable minimum wages, appropriate contractual guarantees, and the like. Trade unions began developing these standards in the late nineteenth century. The International Labor Organization, established shortly after the First World War, has worked at developing a number of international standards for labor practices. Individual firms have constructed credos, codes, and standards indicating their basic commitments to how they will operate. Although some of these standards were initially set forth in the late nineteenth century, there has been a significant expansion in the number of these instruments beginning shortly after World War Two and gaining greater momentum in subsequent decades. Particular industries and professions, like mining, chemical producers, forestry, and accountants, have developed specific codes. In addition, especially since the 1970s several different groups have taken steps to develop effective standardized means to monitor whether and to what degree businesses in fact operated in keeping with these and other newly developed standards (see Bird 2006b; Dashwood 2012; Pellizari 2002). Some accountants began preparing models for how to conduct social audits in addition to financial audits. Beginning in Canada in the 1980s, national associations of Chemical Producers established frameworks for monitoring the safety, health and environmental impact of their operations. Civil society groups organized themselves to monitor international businesses with respect to uses of child or forced labor as well as unsafe and unhealthy working conditions.

During the last several decades of the twentieth century and the beginning of the twenty-first century, several additional initiatives have operated to increase the emphasis on the identification and monitoring of ethical issues with respect to businesses. Business organizations and academics began to develop models for effective ways of managing social issues faced by businesses. In order to better manage their own reputation, businesses found it useful not only to develop public affairs offices but also to monitor their practices with respect to prevailing ethical standards. In addition, an increasing number of investor groups organized socially responsible investment funds. By themselves and in collaboration with others, they developed standardized measures for gauging the extent to which businesses operated in keeping with these measures. These funds were typically designed so that investors could pick which standards – whether these were environmental, labor, or financial – they especially selected as references for their investments. Moreover, a number of groups and consultancies have either gone into business or expanded their businesses with the expressed purpose of helping businesses to conduct these kinds of self-audits. Most of the large accounting firms now provide services to help firms audit their practices in relation to social and environmental practices (see Bird et al. 2016).

Since the 1970s in response to the increased globalization of commerce, finance, and communications, a number of initiatives have been undertaken to establish both international codes of conduct for businesses and to facilitate means for auditing businesses with respect to these codes. Beginning in the 1970s, several groups, including the ILO,

the OECD, and informal caucuses at the United Nations, took steps to draft international codes with respect to business practices (see Hajduk 2014). In subsequent decades a number of agencies have developed international standards for monitoring and, hopefully, fostering responsible business practices. These include the Caux Roundtable (1986), Social Accountability International (1997), the Global Reporting Initiative (1997), the Global Compact (1999), and the International Standards Organization, which developed standards for gauging environmental practices in 1992 and socially responsible business practices in 2010. In 2006 the World Bank established Performance Standards, with which firms have to comply in order to qualify for loans. In parallel with these standards a number of the world's largest banks established the Equator Principles which also require that businesses comply as a condition for their loans. A number of other initiatives have been taken to foster international norms with respect to businesses including the creation of the World Business Council for Sustainable Development in 1992, the launching of the Extractive Industry Transparency Initiative in 2002, and the adoption by the UN Human Rights Council in 2011 of the Guiding Principles on Business and Human Rights (see Bird et al. 2016).

These initiatives have not been insignificant. They reflect a change in consciousness that businesses are indeed operating globally and have global responsibilities. These initiatives reflect as well the efforts of concerned people from diverse countries to explore ways of collaborating in hopes of fostering more responsible business practices worldwide. As a result of these and comparable initiatives, at present and in the future businesses will be expected to take more seriously their impact on the world and to act in keeping with standards that have gained international status. Nevertheless, although the performance standards developed by the banks and the internationally recognized requirements that business undertake some kind of regular environmental and social audits have gained authority, overall these recently developed global standards remain largely aspirational.

Still, viewed as a whole, businesses and those interested in evaluating business practices can now call upon a variety of agencies, indices, and processes to evaluate business practices, to identify relevant ethical issues, and to monitor how well business perform with respect to these standardized measures.

Two, it is not enough just to evaluate business practices and to identify pressing ethical concerns. It is also important to be able to develop fitting ways of acting to address these concerns. To be sure, over the years many business people initiated what they felt were fitting responses guided by their own instincts. They have developed corporate welfare programs, contributed to local communities, established corporate foundations, and changed troubling organizational practices. Here, I will focus on the concerted efforts especially since the 1970s to foster among business people greater sophistication in their capacities to deliberate and develop fitting courses of action. Over this time period, a large number of books have been published, including a number of basic text books, providing models of how to identify and think about ethical issues in business. Increasingly, business schools both offer and require their students to take courses on business ethics, business and society, and/or sustainable development. Many individual firms have instituted or arranged to establish training programs and workshops on a variety of ethical issues related to business, including conflict resolution, ethical problem

solving, and corporate social responsibility. While these texts, courses, and workshops assign prominence to somewhat different styles of deliberating, almost all utilize both real and imaginary cases to encourage business people to explore alternatives and to develop good reasons for the course of actions they recommend. In the process, business people have been stimulated to pay greater attention to the arguments and claims of others, to use their imaginations, and to find reasonable compromises with respect to difficult dilemmas.

No doubt many business people exercised responsible judgment with respect to ethical issues in business a century ago. They might well have been influenced by papal encyclicals, various social gospel movements, social democratic visions, and/or their own sense of decency. Still, it is useful to observe that the capacity of business people to think about and discuss ethical issues regarding business has been greatly enhanced over the past couple of generations both by institutionalized efforts to identify and monitor ethical issues with respect to business and by institutionalized efforts to help business people deliberate about these issues. These are indeed constructive developments. Nevertheless, it is important to add that this enhanced capacity for moral problem solving is limited. It has been, for example, associated with a managerial perspective on ethical issues with respect to business. Both the monitoring and the models of ethical deliberation tend to focus on issues calling for actions by managers, firms, or industrial associations rather than issues, like under-employment or decline in savings, which might call for actions by governments.

4. Business Ethics and Efforts to Establish Publically Enforceable Norms

Over time those concerned about the ethics of business have devoted much effort establishing publically enforceable normative standards. To be sure, often business leaders have sought to develop the kinds of voluntary standards I have just discussed. However, in order to create norms that were the same for all businesses, those concerned about ethics with regard to businesses have often worked to create legal standards enforceable through the state and the courts. Utilizing an historical perspective, I will review how those concerned have developed a broad range of different kinds of enforceable normative standards that have functioned in large part to facilitate business activity and compliance with changing societal values. I will look first at the efforts to establish and regulate markets and to establish and regulate businesses as legal entities. I will then review standards established to manage the risks associated with business practices in modern industrial societies. While many of these standards were initially established prior to or during the periods of rapid industrialization, as the character of business activities have changed, new legal standards regulating markets and risks have continued to be enacted. Next I will review standards adopted especially during the twentieth century to gain compliance with changing societal values, looking especially at laws that have sought to foster fairness and environmental responsibility. I will end this survey reviewing changes in the efforts to establish enforceable standards with respect to business since the late 1970s.

Contemporary businesses are expected to comply with a much greater array of publically enforceable norms than businesses operating in pre or early industrial ages. As a

result, while some business people have argued that businesses have been correspondingly excessively regulated in ways that reduce their capacity to thrive, considerable evidence supports the opposite conclusion that, as a whole, establishing these diverse standards has been associated with the increasing capacity of businesses to flourish and add value to society (see Cooper/Schafer 2012).

4.1 Creating the Basic Institutions of Business in Modern Societies: Modern Markets and Firms as Legal Entities

Markets are settings where voluntary transactions take place between people and/or organizations trading, selling, or buying goods, services, financial resources, and/or labor. Furthermore, markets are settings where various parties are expected to compete with others as they trade, sell, or buy in ways that are not predetermined but open. Markets have existed for millennia. Modern markets differ from traditional markets in a number of ways. They tend to be more impersonal. Transactions take place in relation to standardized monetized values. They are governed by complex rules enforceable by states. Like the rules for games, these laws define how these voluntary transactions and competitions should and should not take place. Modern markets are not spontaneously formed natural phenomena. They are complex, publically created institutions defined by laws and rights (see Belshaw 1965; Finn 2006; Heath 2001). Markets pervade modern societies. Those concerned with the ethics of businesses have devoted considerable efforts to establish the laws that have functioned both to create markets in relation to particular values and to protect these markets from those who would undermine them.

In particular modern markets presuppose the existence of modern laws with respect to property and contract (see Acemoglu/Robinson 2012; Macpherson 1962). Furthermore, these laws in turn reflect and embody basic ethical principles. Even libertarians acknowledge this fact and in turn argue that modern markets especially promote and protect the values of freedom (free choice, voluntary actions) and efficiency. Several ethical standards lie behind modern laws of property including the principles that persons have the right to call their own what they make or purchase in keeping with the rules of the market and they have the right to sell their lands and possessions if they choose to do so. A number of ethical principles lie behind the laws of contract including the norms calling for honest communication and the keeping of promises. Furthermore, it is presumed that those engaging in market transactions should not be subjected to physical coercion or blackmail. Laws of property and contract protect business people from fraud, theft of things and ideas, and embezzlement. Modern markets were created by people concerned to protect the interests of businesses in keeping with these basic ethical principles. These people have created publically enforceable rules so that all businesses would compete under the same conditions.

However, the history of business is also a history of at least some businesses seeking to cheat – either to ignore or deliberately break the rules of markets or to find loopholes in the rules they could exploit to their own advantage. Consequently, the history of business ethics is also filled with initiatives to create new laws in order to protect markets from businesses that have acted to undermine or contravene markets. In the late

nineteenth century as some businesses became so huge that they could stifle competition, governments enacted anti-monopoly laws. Over the past century, governments passed laws against dumping, predatory pricing, and bribery because of the ways these practices undermined markets. Also, to keep competition open and fair, governments have enacted laws calling for truth in labelling and truth in advertising.

Other factors have also shaped the way markets have evolved. Although the belief that domestic markets should be open to foreign competitors is widely held today, for a long period domestic defenders of markets sought to restrict markets. Prior to and during industrialization, most governments overtly restricted markets by establishing tariffs both to raise revenues and to protect their own industries from foreign competitors. Slowly tariffs were reduced in the late nineteenth century as countries gained economic strength. Unrestricted international markets – free trade – gained its greatest support only in the years after World War Two and the establishment through the aegis of the United Nations of the General Agreement on Tariffs and Trade. Even then, most industrialized countries still protected their domestic agricultural markets through subsidies and tariffs (see Chang 2007). Additionally, defenders of markets have developed specific laws designed to facilitate exchanges in different kinds of markets with respect, for example, to labor, credit, insurance, banking, personal services, professional services, and real estate. In each case, as people negotiate and reach binding agreements, they need different kinds of information, different kinds of assurance, and different forms for spelling out their mutual promises. Accordingly, there has been a great expansion of the laws – and regulations – with respect to these diverse markets.

Businesses have existed for centuries. Modern businesses are unique in so far as they are typically incorporated as legal entities established in keeping with corporate law. I will use the word firm to describe modern businesses brought into being as legal entities by means of a publically recognized agreement between two or more persons. As such, firms – modern businesses – have a number of characteristic features. They exist, for example, financially and legally separate from the households of those who manage, direct, own, and work for these businesses. Accordingly, the managers and owners as well as the employees of modern firms possess limited liability for financial or legal woes of businesses. As legal persons, modern businesses possess a number of legal rights: they can sue and be sued; they can freely represent themselves to the public; and they are protected by due processes clauses of the law. In addition, modern businesses are constructed through contractual – and in some cases, conventional – agreements with their diverse constituents of managers, employees, creditors, suppliers, share-holders, and customers. Some, accordingly, argue that a firm can best be described as a nexus of negotiated, asset-creating interactions with its constituents (see Williamson/Winter 1993; Bird 2001).

These laws creating businesses as legal entities have had a number of advantages from the perspective of modern business practices. These laws enable businesses to be created easily without having to receive special mandates from governments. Moreover, by separating households and businesses, these laws have fostered efficiency in firms. At the same time, these laws have been enacted in order to realize a number of ethical objectives. These include the principle that businesses as legal entities are in fact and in law legally accountable for the consequences of their actions – whether this involves damages to persons or natural environments – and can be sued. Moreover, the people

involved in businesses as executives or workers have rights as persons which are distinct from their roles as constituent of these businesses. Finally, because firms are constructed by means of contractual agreements, all those involved are expected to honor the promises entailed in these agreements.

In addition to working to create businesses as legal entities, over time those concerned with the ethical practices of businesses have taken a number of steps to ensure responsible practices by businesses as legal entities. For example, as corporate law has evolved over time, efforts have been undertaken to be sure that businesses were regularly audited first with respect to their financial status but then increasingly with respect to any activities by firms – like risky investments, managing conflicts with employees, environmental practices, and their policies with respect to sourcing supplies – that might materially affect their financial status (see Gleeson-White 2014). Those concerned have in some cases drafted huge laws like the recent Sarbanes-Oxley law in the United States – in order to make auditing practices more rigorous. In addition, over time those concerned have also attempted to spell out much more thoroughly the responsibilities of Boards of Directors so that they exercised greater due diligence with respect to their responsibilities.

4.2 Managing Risks Associated With Modern Business Practices

Over the past two centuries, those concerned with ethical practices of business have worked to enact a number of laws designed to manage the risks associated with modern business practices. While greatly expanding economic opportunities and measurably raising standards of living, industrial market societies have also exposed those affected to diverse risks. In large part the history of business ethics has been integrally connected with evolving efforts to manage these risks. In the nineteenth century business people began to recognize and respond to these risks by developing insurance programs for their own operations. Laws allowing limited liability, developed in the nineteenth century, and laws allowing for bankruptcy, developed in the twentieth century, represent ways of protecting the financial interests of investors in the likelihood of business failure. Risks that consumers are likely to face have been variously managed both by organizations like better business bureaus and consumer groups, through laws insuring safe food and drugs and standards calling for truth in labelling and advertising. Many countries have established deposit insurance programs to protect banking customers against bank failures. All industrialized societies have established a wide range of laws and programs to address the risks faced by employees with respect to their working condition, terms of employment, and economic security. These include workmen's compensation programs, unemployment insurance, old age pensions, laws with respect to occupational safety and health, protection against harassment, and laws against arbitrary dismissal. These standards addressed the several quite different kinds of risks associated with industrial labor markets. Other laws have been passed to deal with the risks which businesses pose for natural environments either by depleting scarce resources or polluting diverse locales (see Anderson 2005).

During the early phases of industrialization, while generating much wealth and increased opportunities, businesses frequently engaged in practices that resulted in extensive harm to natural environments, workforces, and sometimes customers. Over time concerted

efforts have been undertaken both by governments and businesses themselves to limit these harms. Finding effective ways of managing these risks has been a major preoccupation of those consciously involved in business ethics, especially since the early twentieth century. In more recent times businesses are now expected to assess the risks their operations are likely to occasion by their activities before they begin operations. Before they can qualify for loans, businesses now are often required by major banks, including those supporting the Equator Principles, to prepare fairly thorough environmental and social impact assessments. They are expected to demonstrate how they will deal with the inevitable risks to which their operations will expose neighborhoods, communities, and workers.

4.3 Respecting and Complying with Changing Societal Values

Over time most businesses have welcomed many of the laws and regulations enacted to create and protect markets, to identify and protect their contractual obligations as legal entities, and to manage risks. They accepted and supported these laws and regulations because these statutes and policies have broadly functioned in ways that have fostered and facilitated business activities. In many ways these publically-enforceable standards have protected responsible businesses from other less responsible businesses and from practices that have been prone to put them at greater risk. Although business people frequently expressed opposition to new legislation focused on particular problems – laws such as those prohibiting foreign corrupt practices, expanding unemployment insurance benefits, or requiring more rigorous audits – overall, these laws and regulations have enabled businesses not only to function effectively but also to gain legitimacy. In spite of occasional opposition, businesses have largely supported other efforts to enact laws that required businesses to respect and act in keeping with changing societal values. Many of these laws have called upon businesses to exercise some forms of social responsibility. I have in mind here especially laws prohibiting discrimination in the workplace, requiring minimum wages, calling for the protection of human rights, and requiring reduced air and water pollution.

When Milton Friedman wrote his essay in 1971 arguing that the “social responsibility of businesses is to increase its profits” (Friedman 1971), he argued that businesses should not attempt to address social problems like poverty, racism and environmental problems. This was not their mandate. However, he did acknowledge that businesses should act in ways that respected the law, committed no fraud, and honored societal values (see *ibid.*). Ironically, as described by Carroll and others (2012) beginning in the 1960s in order to honor changing societal values, many governments passed laws requiring businesses to take account of a variety of social and environmental issues. As result during sixties and seventies, governments step by step began to enact legislation requiring businesses not to discriminate in their employment practices against minorities identified by race, religion, gender, handicaps, or age. Governments required businesses to raise minimum wages and to reduce their emissions of various substances including volatile organic compounds, untreated sewage, and sulphur dioxide. Governments called upon businesses to honor and protect the human rights of their employees.

4.4 The Situation since 1980

When we compare how businesses operated in 1980 to the way they operated 200 years earlier, we are struck by how many ethically informed laws have been enacted to guide how businesses should operate. In the preceding paragraphs I have reviewed the development of these laws and the ways those advocating these legal developments have sought, by these means, to institutionalize a wide range of ethical principles with respect to business practices. From the perspective of ethics, there has been much change and, some would argue, much evidence of moral progress (see Goodpaster 2013). Much effort has been undertaken to foster fair competition; to protect property rights; to manage and help those exposed to risks associated with retirement, unemployment, and bankruptcy; to reduce discrimination; and to reduce pollution. As a result of legal developments by 1980s businesses were expected to undergo regular financial audits, to honor their contractual obligations, and to dismiss workers only for good reasons.

Since 1980 developments with respect to publically enforceable normative standards for business practices have been diverse and ambiguous. A number of observers have argued that there has been a marked change. They assert that there has been a decline in public services offered by governments and a decline in the regulation by governments of business practices (see Smucker 2006; Gilbert 2002; Zijdeveld 1999). I think the evidence is less clear and more mixed. While governments in industrialized countries have cut back some of their social services because of revenue shortages, overall government spending on social welfare broadly understood to include education, social insurance, public health insurance, tax benefits for mortgage payments and low income earners, as well as other social services has steadily increased as a percentage of gross domestic product (see Heath 2001; Garfinkel et al. 2010). While governments generally have expanded their regulations with regard to working conditions and environmental practices, in the years since 1980 governments, at least in the United States and the United Kingdom, have reduced or loosened their regulations with respect to financial institutions and transactions. Regulations established in the 1930s to reduce the risks of financial failures have been liberalized or removed, in ways that, many have argued, aggravated the risks that led to the financial crisis in 2007–2008. The decline in financial regulation has been especially significant because of the increasing degree in terms of which firms generally have come to be defined and measured in financial terms.

Those concerned about ethics in business have succeed in establishing a large number of publicly enforceable standards to identify and protect markets, manage risks associated with modern business practices, and to ensure that businesses act in accordance with changing societal values. In the process they have called upon governments to help realize these objectives. At the same time over the years those concerned about ethical issues with regard to businesses have engaged in three ongoing debates regarding the role of governments with respect to business. The first has been a largely rhetorical debate over the value of market economies compared to command economies. I will pass over this debate since it has been not helpful as a point of reference for clarifying particular issues. A second debate has revolved around the question of where markets or governments operate most effectively to deliver particular services. In most industrialized market societies, governments have ended up providing a wide range of services. As we have seen governments have been called upon to help establish and maintain

markets, manage a wide range of risks associated with business practices in market societies, and insure compliance with societal values. Governments have also been called upon to develop public insurance programs, primary and secondary educational programs, public security, municipal utilities, and a range of other services. Governments also play a vital and necessary role in preserving the rule of law and developing the institutions that protect basic human rights (see Holmes/Sunnstein 1999). Still, the debate continues over where in practice the line should be drawn between services that can best be delivered by markets or governments and whether as a result of historical changes that line should be moved (see Heath 2001). A third, less focused debate has been occasioned by efforts to identify and manage what might best be regarded as market dysfunctions. What roles should governments play to reduce unfair competition, to allow for new entries into competitive but seemingly closed markets, to reduce the risks of financial crises, and to limit the power of monopsonistic relationships?

5. Contemporary Ethical Challenges Viewed Historically

Over the past two hundred years, a number of dramatic changes have occurred both in business practices and in the scope and intensity of business in the life of industrial and industrializing societies. Further changes are likely to occur. Correspondingly, what might be described as the agenda for business ethics has also changed and grown in keeping up with these developments. As a result of diverse actions initiated by those concerned about ethics with regard to business, people engaged in business today view their business activity in relation to wide spectrum of ethical considerations. Some of these have been institutionalized as laws and industry regulations; others have assumed the form of organizational and professional codes, social and environmental audits, training in moral problem solving, and a growing consciousness that businesses are accountable to the public and must act responsibly. Even our basic assumptions about markets and firms as legal entities reflect deeply-held ethical principles.

The milieu in which businesses operate today has indeed been transformed over time so that it now reflects a wide range of normative expectations, shaped by laws, codes, valued examples, the professional training of managers as well as workshops on varied topics such as workplace diversity and conflict management and the wide-spread verbal commitments to sustainability. However, in many ways these developments do not so much represent moral progress as they represent imperfect but still noteworthy efforts of businesses to keep pace with historical changes. It is possible, after all, to call attention to changes that are more troubling. These include signs that the virtues of self-disciplined work and thrift have declined in strength or have not been as strongly internalized by contemporary workers in industrialized and developing societies and that consumerism has become more highly valued at a time when, given the limits of natural resources, it has become important to explore ways to limit consumption. These signs also include continuing examples of businesses contravening these standards and abusing markets.

Business ethics is a work in progress. As we review the overall history of practices of ethics with respect to business, it is possible to observe a number of significant accomplishments. It is also possible to observe issues and problems that have been ignored, overlooked, or treated less seriously than they should have been. Most of these issues

have indeed received some attention from those overtly involved in articulating business ethics but less probing, urgent, and serious attention than I think is called for. Some have argued that these issues are so troubling that it is not clear that they can be adequately addressed unless the current practices of businesses are radically transformed (see Klein 2007; 2014). I will discuss seven such issues.

I begin with environmental issues, which certainly have received increased attention over the past generation. I refer here to two somewhat different concerns. The first revolves around the question whether, even when operating with their best intentions, business people are addressing environmental issues with the sense of alarm and urgency which these issues merit. As a result of business practices worldwide, the climate is being changed in ways likely to have serious consequences. In addition, a number of resources – including fish stocks, arable land, fresh water supplies, and rare minerals – have been greatly depleted. Other resources are being used up at rates that are unsustainable over the long term. Accordingly, as firms in the extractive industries develop what they refer to as sustainability policies, which a large number of firms have indeed developed, one might well question either their use of language or the seriousness of their purposes considering the fact that extraction processes by definition use up natural resources in unsustainable ways (see Diamond 2005). That these firms have decided now to operate in ways they describe loosely as being sustainable is noteworthy. However, from the perspective of those alarmed by the historically rapid depletion of many natural resources and current and forecasted changes to the climate, these changes in practice seem almost insignificant. Aware of these kinds of problems, those concerned about the practice of ethics with respect to business might well ask how in practical ways businesses can now address these environmental issues even more seriously. A second concern revolves around the legacy left by the practices of businesses in the past. Many businesses operated in ways that occasioned the pollution of streams and waterways, led to deforestation, increased air pollution, greatly reduced water supplies in aquifers, and markedly depleted other resources. These practices have adversely affected many environments and many people. Is it ethically responsible now simply to ignore these past abuses? Or to what extent and in what ways should the current generation of businesses be held accountable for the practices of businesses in the past that would now be regarded as illegal, irresponsible, or wrong?

A second and related issue concerns the largely unexamined commitment by businesses individually and as a group to continued economic growth. It is widely assumed that healthy businesses will be expected to grow and that a healthy economy as whole will be growing. Economic growth is widely taken for granted both as a valued objective and as a reliable measure of successful business activity. Typically, economic growth is measured and realized by higher levels of consumption or the capacity to consume expressed either by greater sales or market share for firms or higher levels of per capita income for economies. However, as the world population increases and as more and more people look forward to higher standards of living associated with higher levels of consumption, it is not at all clear that there are sufficient resources worldwide to meet the needs and desires of these people (see Brown 1995). In fact, increased economic growth accompanied by higher levels of consumption seems not only unsustainable but also threatening. Continued growth and expanding consumption seem likely over the long term to deplete many scarce and non-renewable resources and to raise the relative

price of these resources for the most impoverished communities. Yet, most businesses are organized to promote higher levels of consumption, which will correspondingly allow these business to stay in business and grow. While a few environmental activists have called attention to problems associated with economic growth and increased consumption, this topic has largely been ignored by those discussing business ethics. While many of those concerned about ethics and business champion both re-using, renewing, and the conserving of resources, less attention has been paid to exploring ways of operating businesses with a commitment to no growth or greatly reduced growth at least with respect to the consumption by businesses themselves and their customers (see Bird 2016). Clearly over the long terms, those interested in business ethics must devote more attention to this topic.

A third issue that has received a good deal of attention over the past little while but has nonetheless become even more aggravated in spite of this attention is the way current business practices, together with corresponding public policies, have occasioned a steep rise in inequality both in income and in wealth. Since the 1970s there has been not only a sharp rise in inequality in the United Kingdom and the United States but also significant increases in inequality in many other industrialized societies (see Atkinson 2015; Bourguignon 2015; Milanovic 2005; Piketty 2014; Stiglitz 2012). Business practices have contributed to this problem in a number of ways. These include all of the following: Increasing the compensation packages for executives, often by paying them with shares in their own companies; adopting employment practices that hire larger and larger proportion of workers on part time or part year basis and do not provide fringe benefits for these workers; paying many workers such low wages that these workers, even though they work full time, qualify for public support by means of tax credits; increasing the wealth enhancing opportunities for the wealthy by developing new kinds of financial investments; encouraging inflated share values; and charging excessive rates for the credit offered to low income households. In some countries governments have aggravated these problems by reducing tax rates for the wealthy. It might well be asked: How can successful businesses operate differently, as they apparently did in the years before the mid-1970s, so that they do not aggravate problems of inequality as many businesses have in subsequent years?

A fourth issue that has long been overlooked but has recently begun to receive attention concerns the legal but ethically questionable means many international businesses use to avoid taxes. These include locating their legal but not their operating head offices in political jurisdictions with no or low tax rates as well as the abusive use of transfer pricing between divisions of multi-unit multi-national enterprises. As a result of these practices many firms end up paying little or no taxes in countries with high tax rates (see Baker 2005). A recent study of mining companies in Chile indicated that most of these businesses paid little or no taxes in Chile because of the high cost they charged themselves for goods and services they purchased from other national divisions of these firms and the low prices at which they sold their products to other national divisions in countries with low tax rates. The latter intermediaries then raised the prices on their products to the eventual customers in the industrialized countries and made huge profits (see Riesco 2004). Because managers are rewarded for finding ways to reduce the tax burdens of their firms, these kinds of practices have increased. Many view these practices as clever ways of promoting business interests (see Palan et al. 2010). However,

overall these tax avoidance policies mean that some businesses and business people gain great benefits at cost to others who eventually help to pay the taxes these firms have avoided paying. From the perspective of those concerned about the practices of ethics with regard to business, this seems like an issue that deserves much more thoughtful attention both with respect to abuse of legal loop holes and with respect to developing reasonable tax policies with respect to businesses.

A fifth issue, which has received some but less attention than might be expected, concerns the role of international businesses in developing countries and areas. Businesses in the extractive industries have been operating in these areas since the beginning of the industrialization and before. Manufacturing and retailing firms have long been sourcing raw materials from these areas. Steadily over the past forty or fifty years, increased attention has been paid to abuses associated with practices of international businesses in these areas, including pay offs to local officials, abusive treatment of local workers, disrespect for local customs, excessive use of violence by security guards protecting work sites, and environmental practices that have ravaged local terrains and water supplies. Beginning in 1977 the United States and then other political jurisdictions have enacted laws to curb corruption; business people have been trained to become more respectful of cultural differences; efforts have been made to reduce abuse by security guards; since the Brundtland Commission report in 1987, many businesses have taken steps to operate in ways that are more sustainable (see United Nations World Commission on Environment and Development 1987). However, a major problem remains. International business activity in developing areas has not had a much better record fostering inclusive wealth development in these areas than have international aid organizations. In spite of decades of their presence in these areas, the levels of ordinary poverty have not appreciably declined.⁶ Extreme poverty has indeed declined in large part because of industrialization in countries like China, India, Brazil, and Indonesia. Over time the expansion of business activity helped to foster economic growth in the industrialized societies. So, those concerned about the ethics of businesses in developing areas – whether international or domestic – might well ask how these businesses could and should change their operations so that they will help to foster inclusive economic growth in developing areas (see Bird 2014).

A sixth issue concerns the continuing vulnerability of modern markets both to market abuses and market failures. We might point to a number of examples, from the practices leading to the financial crisis in 2007–2008, the falsification of environmental tests by Volkswagen, to the falsification of financial audits by many companies. To a list of market failures and abuses we should add as well the ways many industrial countries support large agricultural businesses in their countries through tax breaks, restrictive tariffs, and indirect subsidies. To this list we should add as well the dysfunctional ways that labor markets operate in practice in many countries in so far as while they may well help employers fill jobs, they seem less able to help larger number of workers find jobs.

A seventh largely overlooked issue concerns the increasing financialization of business life over the past generation. I have referred to this phenomenon at several points in

⁶ While levels of extreme poverty – per capita income of \$1.25 per day – have declined appreciably due in large part to economic growth in countries like China, Brazil, and India, levels of ordinary poverty – per capita incomes of \$2.25 per day or the equivalent – have not declined.

this essay, calling attention to the way financial models of firms have gained ascendancy in contrast to older models of firms as centers of production and marketing. Also, by tying executive compensation increasingly to share values, businesses increase the perverse incentives to focus on short term gains rather than long term benefits. From a financial perspective, firms tend to be viewed as abstract entities valued not as a nexus of human interactions and ingenuity but strictly in relation to financial markets. The financial views of firms overwhelmingly privileges particular stakeholders in ways that sometimes but have not always served the overall interests of the firm itself as an entity. To be sure, businesses now operate in relation to an increasing number of normative expectations, many of which have assumed legal forms. Over time, business people have developed more sophisticated capacities to identify and deliberate about ethical issues confronting businesses. Businesses have in many ways become more self-consciously ethically responsible. However, viewed from an historical perspective, those involved in the practices of ethics with respect to business have thus far tended to overlook, neglect, or given less substantial, thorough, and urgent attention to a number of ethical issues related to business practices. Businesses now face a number of not as yet fully addressed ethical challenges which have increased in importance and urgency, both because the central role that businesses play in industrialized societies and because greater attention needs to be devoted to issues associated with these challenges.

6. Concluding Reflections

The world now faces a number of serious ethical crises which businesses as a part of their business operation are challenged to address. Those currently engaged in the practice of ethics with regard to business are correspondingly challenged to review the history of business ethics to explore ways businesses can address these crises. Taking account of how businesses have responded to ethical issues in the past, what recommendations might we make with respect to the practices of business ethics in the present? Many of those involved with business ethics seem confident that businesses will find effective ways of responding to contemporary crises. Given the increasing degree that large numbers of businesses have more fully accepted their social responsibilities and have joined with others in efforts to foster sustainability, some observers think that businesses have indeed become both more capable and more disposed to address these challenges. Compared to pre-industrial times, they point to the fact, which I have described in this essay, that in the industrial societies businesses now conduct their operations in relation to a broad range of ethical considerations. Carroll and associates express this kind of confidence in their historical chronicle of business ethics in the United States. They observe that there have been and will be ongoing public debates about how businesses should operate. However, through ongoing processes of checks and balances and the overall influence of common American values, a common moral ground has been emerging that recognizes the moral responsibilities of businesses (see Carroll et al. 2012). On the basis of this kind of evidence, Goodpaster has argued that many businesses have correspondingly developed the kind of shared and vibrant sense of moral sensibility that resemble consciences (see Goodpaster 2013).

However, many observers have reached the exact opposite conclusion regarding the possibility that businesses will adequately respond to these challenges. They see contemporary businesses, especially the largest businesses, as playing a critical role in aggravating all of these crises. As Naomi Klein argues in her recent book, *This Changes Everything*; and argued before, the problems the world faces today do not fundamentally arise because humans are burning too much carbon; they arise because of the ways most large businesses practice business in industrial market societies (see Klein 2014; 2007). If humans have a chance of adequately addressing the challenges represented by global warming and global poverty, then we need to find new ways of engaging in business. She argues that we need to stop burning fossil fuels and we need more local cooperative businesses.

In this essay I am arguing for a position that is neither as optimistic nor as pessimistic about the role of businesses with respect to these global crises. We must begin by acknowledging that businesses are implicated in many of these crises because of the ways they have operated. It is important to recognize that businesses are implicated in part simply because businesses play such an important role in modern societies. Businesses are implicated as well because a number of factors they regarded as externalities to their operations – like the climate, the limited supplies of some natural resources, the impact of their policies on growing inequalities, and their fostering of increased consumption – can no longer be regarded as externalities. At the same time, we must also acknowledge that over the years businesses and those concerned about the ethics of business activity, have responded to a number of challenges businesses have faced including many of the risks occasioned by business activity in industrial market societies and the call to comply with changing societal values. Adopting an historical perspective, those engaged in the practices of business ethics can play critical roles by identifying how practices of business have helped to make businesses more ethically responsible. Reflecting on how to build on those capacities, those engaged in the practices of business ethics must then explore how businesses can become more responsive to current crises in part by also more fully acknowledging the moral failures of businesses. Using the three part framework I used in the first part of this essay to discuss the history of business ethics, I now outline challenges those involved in business ethics must now address.

6.1 Business Ethics and the Cultivation of Appropriate Virtues

One, those formally involved in the practices of business ethics must pay greater attention to the ways virtues and other valued dispositions affect how people involved in businesses activities behave. The decline of the work ethic and the virtue of thrift and the increasing value attached to consuming well have adversely affected the overall milieu of business practices in the modern world. While Aristotle may have stressed the importance of virtues for ethics (see Aristotle 1955), few contemporary business ethicists associate their role as ethicists with the cultivation of virtues. They may well recognize, rightly, that virtues are typically cultivated within communities of commitments, such as families, religious associations, ethnic groups, professions, organized athletic teams, and organized social movements. Nonetheless, they can and should point to the ways changes in basic dispositions – like the decline in civic mindedness and the rising

celebration of greed – affect how businesses are likely to address the great ethical challenges of our age. One could easily argue businesses should find ways of evoking greater sense of stewardship – both with regard to the earth and its riches and people and their capabilities. Additionally, in a multicultural world with many different kinds of normative expectations – linked with faiths, particular industries, nationalities, economic philosophies, and political ideologies – it has become especially critical to cultivate a much greater sense of the importance of acting with integrity. Interestingly, although many view it as empty rhetoric, those championing the MBA code at least acknowledge indirectly the shaping role that virtues have played and might play in relation to the global challenges facing businesses today.

A strong case can be made as well for fostering a much stronger sense of the importance of the virtue of justice for business practices. Many business people have long argued for the importance of justice as fair play and have defended markets in these terms. Many business people have held views that loosely approximate some of the basic tenets of commutative justice, that is, fair play with regard to exchanges, which emphasize values of freedom and honesty. What we need today, however, is a much more robust understanding of fair play that takes account as well of lost opportunities, the need to support the social and legal infrastructures that render exchanges open and fair, and reasonable claims that in these exchanges rewards should be roughly proportionate to some combination of efforts, contributions, and associated risks. (see Bird 2006a).

6.2 Business Ethics and the Enhancement of Ethical Problem Solving

As a result of a number of complementary initiatives over time and especially since the 1970s, many business people have become both more competent and more sophisticated at identifying and responding to ethical issues. However, in spite of this enhancement of their knowledge and ability at moral problem solving, we face daunting ethical issues with regard to business practices that are not likely to be adequately addressed without some fundamental changes in the practice of business ethics. What is called for? I don't think these issues will be more effectively addressed if we only focus on helping business people become more competent at philosophical ethics and crafting more comprehensive codes of conduct. Probably more importantly, the capacity for businesses becoming more responsive and able to identify and address current ethical crises is most likely to be enhanced by fostering more open reciprocating communication within businesses about these issues (see Bird 1996).

In order to support this position, I will begin with several historical observations. The history of the practice of business ethics has been characterized by ongoing debates and conflicts on how businesses should operate. Certainly, workers and companies have often differed over wages (hours of work, working conditions, job security, fitting ways to evaluate workmanship, the role of workers in governing firms, and much more). As well, there have been ongoing conflicts between investors, frequently focused on promoting improved quarterly returns and others seeking to reinvest earnings to enhance long term benefits. Much conflict has occurred between firms seeking to promote their businesses and community groups who have felt abused by the ways businesses have operated. People have struggled over the public influence of firms and how businesses

should be properly taxed. Groups have argued and debated on ways to protect businesses from excessive public interference and ways to make firms more accountable for their impact on the public. There have been ongoing conflicts over whether the Anglo-American model that views corporate governance in relation to shareholders is better or worse than the European and East Asian model that assigns a larger role to other stakeholders in corporate governance. Those interested in business practices have variously advocated for greater market freedom or public regulation, higher levels of growth or restrained growth, limits on executive compensation packages or compensation packages more closely connected with real rates of return. Some have argued that businesses are becoming excessively large and others who worry about waste associated with excessive competition.

There are several ways of interpreting these ongoing debates and conflicts. Observing that over time these debates and conflicts have given rise to less overt violence, a number of observers argue that greater consensus is emerging with respect to how businesses ought to operate. In contrast, in this essay I argue that the domain of business remains in principle contested because businesses in market societies are constituted by ongoing relationships with diverse stakeholders, which have different values and interests. Countries, like Germany, Japan, and the United States, have developed somewhat different models for managing these contests, some assigning greater prominence to particular stakeholders than others. To be sure, the struggles between stakeholders have become less aggravated and less violent over time but their interests still remain contested.

I emphasize the contested character of business ethics, for which history provides considerable evidence, in large part because I think the practices of ethics with respect to business should be viewed as a multi-vocal activity. There has not been just one dominant way of thinking about business ethics, broadly understood. The history of business ethics has been full of disputes, differences of opinion, and conflicts. These include not only the tensions between labor and management, the disagreements between liberals and conservatives, but also difference between those who look at these issues from the perspective of corporate social responsibility or from the perspective of philosophically influenced business ethics. The fact that the history of business ethics has been characterized by varied disputes is neither a weakness nor necessarily a problem. Rather, I think that efforts to suppress these difference can create problems by suppressing the voices of those who have different interests and hold contrary views. While it is useful to work to foster consensus, it is also important in the process not to silence or not to hear the voices of those who recognize problems or represent concerns not acknowledged by the overt consensus.

Accordingly, businesses are more likely to be responsive and able to address current ethical crises to the degree that they listen to all their stakeholders, especially their critics, and seek not so much to defend themselves as to explore ways to take these criticisms seriously. They need to explore ways to encourage their employees and other stakeholders to voice their concerns. With regard to this concern, the decline in influence of organized labor represents a serious matter. As Galbraith long ago argued, in free market societies, labor – and one might add professional – organizations have acted as countervailing powers helping to check and balance the increasing power and influence of large, well organized, and wealthy businesses (see Galbraith 1952). Trade unions

helped to foster responsible business practices at least with respect to labor. However, the decline in the influence of trade unions in a number of industrial countries over the past fifty years created a situation where businesses are less overtly challenged by organized groups. While civil society groups, like Greenpeace and Human Rights Watch, and Socially Responsible Investors, often do challenge businesses, they have not been able to exert the kind of influence that organized trade unions once exerted. To be sure, there is little evidence that trade unions will resume the kind of influence that they once exercised. However, those concerned about the practice of ethics in business are nevertheless challenged to think about practical ways of fostering accountability of firms to the constituencies with which they regularly interact as they do business. Accordingly, there has been much concern at the ways governing boards as part of their tendency to work as a team seem not to take account of voices representing both diverse stakeholders and the public. To be sure, boards of governors do not have democratic charters that call for them to represent diverse constituents. Rather, those governing businesses have a legal mandate to seek the best interests of the business as a legal entity. That best interest is not, however, the interest of particular stakeholders, like the shareholders, but is the common good for businesses as a whole. To foster that common good governing structures must find ways on a regular basis to pay attention to how firms interact with all their stakeholders. Those involved in ethics with respect to business are correspondingly challenged to explore fitting ways of re-thinking and reforming structures of corporate governance.

6.3 Business Ethics and the Role of Publicly Enforceable Standards

As we have seen above, viewed historically, those concerned about ethics with regard to business have played a major role in developing publically enforceable standards for responsible business practices. In keeping with our review, I think a strong case can be made today for finding ways of strengthening publically enforceable standards with respect to both, the risks associated with the ways some forms of business practices seem to aggravate current crises regarding the environment, economic growth, and increasing inequality and, secondly, contemporary market failures and abuses. To be sure, it may be possible in part to address some of these issues by strengthening industry codes and by reinforcing the leverage offered by ethical investment funds. However, in order to adequately address current crises that affect how all businesses operate, it seems necessary to examine the range of common publicly enforceable standards for all businesses. There is wide-spread consensus that we need to enact both internationally and in nationally appropriate terms laws that set limits for carbon emissions, that work to protect arable lands and fresh water resources, that establish minimum wages at living wage levels, and that operate to reduce flagrant tax avoidance. However, we are well-advised that crafting effective, fair, and workable laws to address these issues is not always easy. While most of these issues are indeed global in scope, there is no way of adopting international enforceable standards without first gaining the support and cooperation of large numbers of individual countries. Those concerned about the ethics of businesses must, accordingly, collaborate internationally, in ways they have done so at times in the past with regard, for example, to the Montreal accord on emissions, the agreement with respect to trade in endangered species, the World Bank's Performance Standards, and a

number of World Trading standards. Those concerned about ethics in business with respect to current crises must also seek to craft laws that are not so cumbersome and intricate that few business people can understand them. It is true as Meltzer argues, that many business people will seek to find loop holes in regulations and other ways to evade what particular laws seem to require (see Meltzer 2012). As we review the history of business practices, we see that many businesses have indeed sought ways to become free riders at the expense of other businesses and the public generally. However, we also recognize that in keeping with the fundamental principle of modern markets such behavior represents an abuse of markets. So, we need to craft laws that not only serve the broad interests of the public and the planet but are also likely to be enforceable and regarded as reasonable by most business people.

In order to address these challenges, those concerned about the practice of ethics with regard to business must also explore political possibilities. Many of those most concerned about ethics, from Plato, Aristotle, and Cicero in ancient times to Mill, Habermas, and Rawls in most recent times, have recognized that the practice of ethics cannot ever be fully separated from the practice of politics. If business ethicists want to find effective ways for businesses to address current ethical challenges with which they are deeply implicated, such as crises associated with the environment, growing inequality, and continuing examples of market abuses and market failures, they must become politically engaged.

6.4 The Way Forward

The practices of business ethics have evolved over time. They have responded to many challenges in the past, from the need to establish viable legal frameworks for modern industrial markets and the risks they occasion to the need to develop the moral problem solving capacities of managers, from the crisis of the great depression to recent processes of globalization. However, contemporary ethical challenges are in many ways more deep-rooted, more complex, and more disturbing, both because businesses have come to play such a central role in modern industrialized and industrializing societies and because businesses have aggravated a number of these crises by their own conduct. In the paragraphs above, based upon the history of the practices of business ethics, I have explored steps those currently involved in the practice of business ethics might take as they attempt to address these current crises. Overall, the practice of business ethics must broaden its approaches to ethical issues so that it engages businesses and those involved with business not primarily from the perspective of managers and business schools but from what Carroll and co-authors refer to as the public square (see Carroll et al. 2012).

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