

Why Teach Ethics?

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Five bad arguments against teaching ethics in business school...



Five Bad Arguments

- ❑ Milton Friedman argument.
- ❑ Argument from incentives
- ❑ Gut feeling argument
- ❑ Moral developmental argument
- ❑ Motivational argument



Caveat

- My purpose is not to **convince** you.
 - There is no time to present a full case.
- I provide only a capsule **summary** of the arguments.
 - Much as you would see in other CORS/
INFORMS presentations.

Milton Friedman argument



Bad argument no. 1



Milton Friedman argument

- The ethical duty of business people is to **maximize profit**
 - ...within the law.
- So they should study business & maybe law.
 - ...**not ethics.**



Milton Friedman argument

- Business people are not **qualified** to do anything but maximize profit.
 - Leave social policy to government, etc.
- *Nobody is asking business people to make social policy.*
 - *Only to take responsibility for their company's impact.*
 - *What does this entail? Study business ethics to find out!*



Milton Friedman argument

- Business people have no **right** to do anything other than maximize profit.
- It's **other people's money** (stockholders).
 - ...unless one is a sole proprietor.
 - Corporate officers are hired to **maximize return on investment**.
- Only elected representatives have the right to spend other people's money on social welfare projects.



Milton Friedman argument

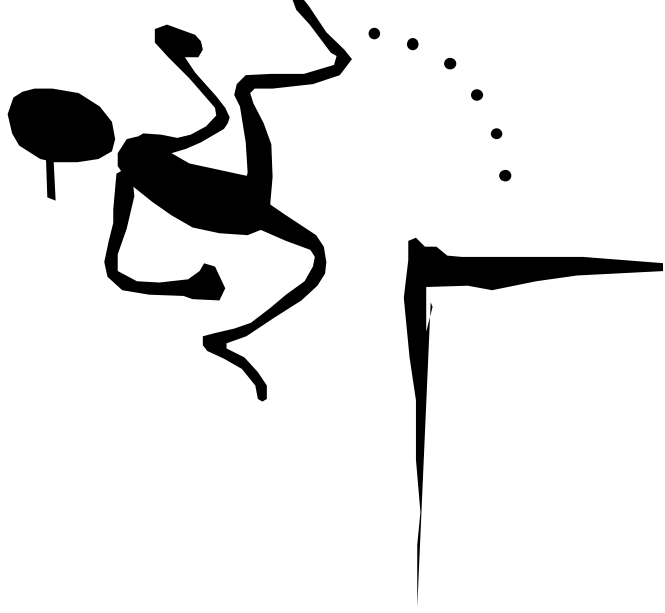
- *But the stockholders would have social responsibilities if they ran their own business.*
 - *For example, don't price gouge.*
- *They don't shed these obligations by hiring agents to run the business for them.*
 - *A mafia boss doesn't avoid responsibility for murder by hiring a hit man.*
 - *Business-related ethical duties transfer to corporate officers & directors.*



Milton Friedman argument

- But **business-related** duties reduce to profit maximization.
 - Everyone is **better off** if business maximizes profit (or shareholder value).
 - Anything else gums up the works.
- *Simply not true.*
 - *E.g., Nestlé infant formula case.*
 - *Making babies sick was legal and maximized profit.*

Argument from incentives



Bad argument no. 2



Argument from incentives

- Human beings are **utility-maximizing, self-interested individuals.**
- Business people do **what's good for them.**
 - Encourage ethical behavior by adjusting incentives, removing conflicts of interest, etc.
 - Ethics instruction is **irrelevant.**



Argument from incentives

- *This view of human nature dates back to Scottish Enlightenment.*
 - *Often attributed to Adam Smith.*
 - *Frances Hutcheson, founder of movement, held that humans are motivated by sympathy.*
 - *His student Adam Smith echoed this view in his Theory of Moral Sentiments.*
 - *“Selfish” view in Smith’s Wealth of Nations reflects David Hume’s influence.*

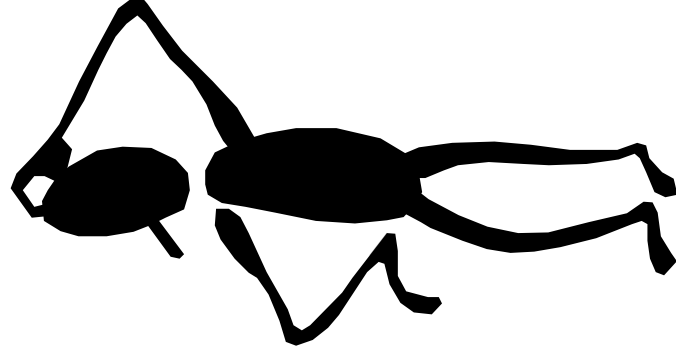
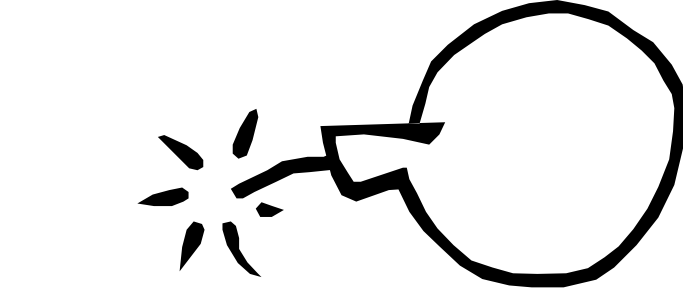


Argument from incentives

- *Actually, altruism is an important part of human nature.*
 - *A selective advantage.*
 - *Substantial evidence in paleoanthropology.*
- *We need only show that incentives alone don't explain economic behavior.*
 - *Story of the beach theft.*
 - *Incentive systems radically presuppose cultural support, which includes ethics instruction.*



Gut feeling argument



Bad argument no. 3



Gut feeling argument

- Ethics is something you **feel**, not something you **think about**.
- Values are based on **personal preference**, taste, etc.
 - ...not on rational argument.
- So it makes no sense to teach ethics in a university.



Gut feeling argument

- *It is hard to imagine what a mathematical proof is like until you see one.*
- *It is the same with an ethical argument.*
- *An ethics course shows what it means to think about ethics.*

Moral development argument



Bad argument no. 4



Moral development argument

- ❑ Moral character is formed in **childhood**.
- ❑ By college age, it is **too late to change**.
- ❑ So ethics instruction serves **no purpose**.



Moral development argument

- *We need not show that ethics instruction changes character.*
 - *Only that it changes behavior.*
- *Can college instruction change behavior?*
- *If not, ...*

***Let's shut down all
professional schools!***



Moral development argument

- *Why should we suppose finance and marketing courses change behavior but ethics courses don't?*
- *Ethics instruction has several elements that can change behavior...*



Moral development argument

- *It provides a language and conceptual framework for thinking about ethics.*
- *Case studies make us aware of the consequences of our decisions.*
 - *“Moral imagination.”*
- *Ethical theories define what an ethical argument looks like.*
- *We learn to make distinctions and avoid common fallacies.*



Moral development argument

- *We have a chance to **think through** issues before they hit us.*
- *We learn about **specialized topics**.*
 - *Product liability, employment, intellectual property, environmental protection, cross-cultural issues.*
- *We get to **practice** articulating ethical arguments.*
 - *Helps **resist pressure** to compromise.*



Moral development argument

- *We don't need to show that moral character can change later in life, but there is much evidence that it can and does.*
 - *It's time to reject warmed-over Freud.*
- *There's a whole field that deals with this: developmental psychology*
 - *Piaget, Kohlberg, Kegan, Fowler, Parks, Perry, Gibbs, et al.*



The moral development argument

- *A major lesson: moral development is closely tied to cognitive development.*
- *There are adult developmental stages as well as childhood stages.*



The moral development argument

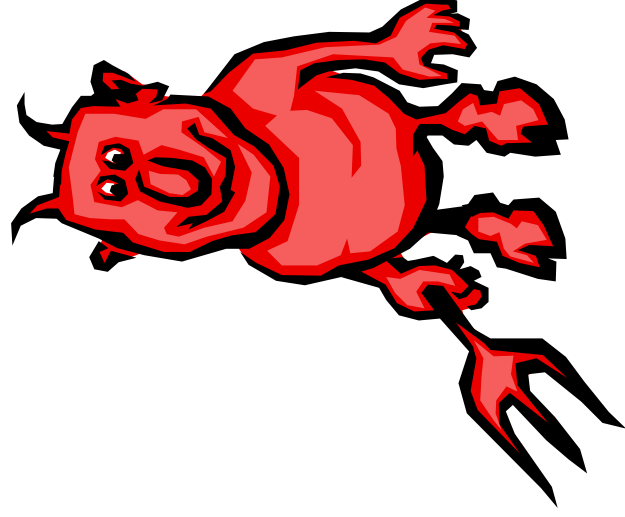
- *Critical/systematic thinking stage:*
 - *Adolescence, early 20s*
 - *May start with thoroughgoing relativism (critical)*
 - *Adopt simplistic ideology (systematic)*
 - *Marxism, fundamentalist religion, laissez-faire economics*
 - *Or... business reduces to maximizing shareholder value.*



The moral development argument

- *Next stage: tolerance of ambiguity & complexity.*
 - *Reached in mature adulthood (if all goes well).*
 - *Perseveres in an effort to think critically and systematically even while recognizing that there are merits on both sides of an argument, and no existing system is adequate to the complexity of life.*
 - *Development of cognitive skills may nudge students toward more mature ethical thinking.*

The motivational argument



Bad argument no. 5



The motivational argument

- Business students don't want to **waste time** studying ethics.
 - They would rather spend the time taking finance courses or interviewing with more companies.
- Learning is **90% motivation**.
- So ethics instruction can't succeed.



The motivational argument

- *The usual response: convince students they will do well by doing good.*
 - *So it pays to know something about ethics.*
- *Problem with this response:*
 - *Ethical behavior is not necessarily rewarded.*
 - *If it were, nobody would have ever invented ethics.*



The motivational argument

- *My response: “I’m not here to convince you to be ethical.”*
- *Finance instructors don’t try to convince students to make money.*
- *They assume students want to make money and tell them how.*
- *It’s the same with ethics.*



The motivational argument

- Rather than “do well by doing good” ...
Do good by doing well.
- View profitable business is a means to making a positive contribution.
- I assume students want to make the world better.
 - Cf. Hutcheson, Smith
 - Ethics is a tool to help them do it.