

BUSINESS ETHICS

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The Morality of Business Enterprise

Business Ethics

Norman Barry



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Softcover reprint of the hardcover 1st edition 1998 978-0-333-55185-1

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Published by

PALGRAVE MACMILLAN

Houndmills, Basingstoke, Hampshire RG21 6XS and

175 Fifth Avenue, New York, N. Y. 10010

Companies and representatives throughout the world

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ISBN 978-1-349-12388-9

ISBN 978-1-349-12386-5 (eBook)

DOI 10.1007/978-1-349-12386-5

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources.

A catalogue record for this book is available from the British Library.

**For
L.J.H.**

Contents

<i>Preface</i>	ix
1 Business and Moral Philosophy	1
2 Value Systems	17
3 The Corporation	37
4 Corporate Social Responsibility	68
5 Insider Dealing	91
6 Takeovers: An Economic and Ethical Perspective	117
7 The Environment and Business Ethics	148
8 Conclusion	169
<i>Notes</i>	177
<i>Index</i>	187

Preface

Over the last 30 years business ethics has become an established academic discipline, especially in the USA. It has attracted philosophers, economists, management consultants and members of the clergy of all denominations.

While it is probably true that very few people today are old-fashioned socialists, favouring the abolition of private property, the nationalization of industry and comprehensive central planning, it is the case that practitioners of business ethics are more sceptical of capitalism than the original founders of the social and economic doctrine of market economics. Of course, this scepticism has been provoked by some well-publicized business scandals which have led to a bout of self-analysis and introspection on the part of the business community itself. Business agents sometimes even feel the need to absorb some controversial, but still fashionable, doctrines from social philosophy, such as social justice and communitarianism in the public justifications they occasionally give for their activities.

The critics of business may accept the efficiency properties of the market, and even commend it for the freedom that it encourages, but they tend to test the practice of business against more or less universal standards of morality. It must find some validation in a set of moral principles which are external to the activity of commerce itself. The social responsibility of business is a constant theme and business agents are often urged to forgo profit in order to fulfil some social goal which is not intrinsically a part of business enterprise. Thus they must not only satisfy the basic rules of morality, which apply to all aspects of social life, but they should purge themselves of the grosser forms of self-interest and act communally wherever that is consistent with the survival of the enterprise.

That is why a lot of books on business ethics are kinds of 'advice' books that attempt to indicate appropriate forms of conduct for business personnel; social duties which may not be apparent to them in their daily activity. Furthermore, the lure of the profit motive, and the pressure of competition, may distract personnel from even the basic moral duties. No business scandal occurs without journalists, clergymen and academics informing business agents of the duties they had neglected or the promises they had breached. The point here is that scandals are public and the details of them are easily presented in suitably lurid terms.

However, the fact that business activity goes on daily in perfectly respectable moral ways in capitalist society is seldom noticed. Nor should it be: behaving morally, following the rules of just conduct and respecting contract and property, should not be a reason for congratulation. But neither should the latest business outrage be presented as if it were a regular feature of market activity. Yet contemporary business moralists often assume that trade and commerce do not provide their own standards of probity and that their personnel have to be constantly reminded of how to behave ethically.

The business class is certainly affected by moral criticism. Indeed, its members often feel the need to sanitize their activity by indulging in public displays of virtue; as if they needed to compensate for the apparent wrongs, or at least dubious displays of self-interest, to which their activity might give rise, by outward displays of altruism. Despite the obvious success of capitalism in the production of wanted goods and services, and in job creation, many of its critics still feel that all these good things could be generated without some of the less attractive features of business enterprise. Some moral philosophers regard it as their duty to remind business personnel not only of their basic ethical duties but also to encourage them to go beyond the minimal requirements of moral conduct, even if that leads to a reduction in efficiency.

This book is not written in the style of a censor of commerce, of the moral critic anxious to impose on business personnel moral duties which exceed those required of ordinary agents. Indeed, it specifically rejects the idea that there is some special business ethics which imposes on business people and entrepreneurs moral standards that would not be expected of non-business personnel. It is maintained that the language of ordinary morality is adequate to condemn, or to praise, the actions of business agents. For example, it is maintained that the fact that firms and corporations *appear* to have special privileges and powers is not a reason to burden them with extra social duties.

Furthermore, the book is written with a particular purpose in mind: to defend a particular form of capitalism, the Anglo-American type. This is the kind of market economics that is practised primarily in the English-speaking world, and is exemplified by the commercial and financial systems of Wall Street and the City of London. It is, of course, not the only type of successful capitalism and rival forms have attracted the critics of individualistic, profit-based commerce. For example, the more communally-based and less individualistic economies of Germany and Japan seem to combine economic success with a more caring and less ruthlessly profit-orientated approach to commerce. They are often the models for

critics of Anglo-American business. Although I shall cast some doubt on the validity of all this, my main concern is not comparative but is an attempt to outline the defining characteristics of the Anglo-American model and to indicate its moral strengths and shortcomings. Hence a lot of the book is taken up with an analysis of the corporation, of the ethics of the stock market, and of the morality of takeovers, and the problem of business and the environment. In this enquiry I shall discuss some of the scandals that have occurred and try to indicate the moral issues that were at stake. In some examples I indicate where there is reason to doubt the cogency of the censure that was directed against the personnel involved.

The book itself is the product of some reflection and valuable conversations with friends and colleagues. It arose out periods of time spent researching the subject at the Center for Social Philosophy and Policy at Bowling Green State University, Ohio and I am grateful to the Directors of the Center, Fred Miller, Ellen Frankel Paul and Jeffrey Paul for their excellent facilities and congenial intellectual atmosphere. I am also grateful for the David Hume Institute, Edinburgh, for permission to reproduce parts of an earlier book I wrote on the subject, *The Morality of Business Enterprise*, which was published under its auspices. Chapter 5 of the book, on insider dealing, is based largely on a pamphlet I wrote for the Foundation for Business Responsibilities, London, and I thank Simon Webley, its director, for permission to use some of that material. I also owe a special debt to my friend and colleague at the University of Buckingham, Martin Ricketts, for his helpful advice on the economic aspects of business ethics. I am particularly grateful to Mrs Norma Prout, also of Buckingham, whose wizardry with computers saved me from many a crisis at the keyboard. I should also like to thank my research assistant, Miss Faye Merchant, for her invaluable assistance.

Buckingham, 1997

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