On the Ethics Behind "Business Ethics"

Dag G. Aasland

ABSTRACT. Ethics in business and economics is often attacked for being too superficial. By elaborating the conclusions of two such critics of business ethics and welfare economics respectively, this article will draw the attention to the "ethics behind" these apparently well-intended, but not always convincing constructions, by help of the "fundamental ethics" of Emmanuel Levinas. To Levinas, responsibility is more basic than language, and thus also more basic than all social constructions. Co-operation relations in organizations, markets and value networks are generated from personal relations and personal responsibilities. It is not sufficient to integrate ethics in an impersonal, rational system, neither in business organizations nor in the world economy. Ethics has its source not in rationality, but in the personal.

KEY WORDS: Levinas' fundamental ethics, business ethics, welfare economics, totality and infinity, the just society

Introduction

As an expression of the critics of business ethics, I have chosen the article "Corporate Governance and the Ethics of Narcissus" by Roberts (2001). Roberts claims that business ethics, together with corporate management, environmental management and CSR (corporate social responsibility), is "no ethics at all", but rather a strategy of being seen to be ethical, which is the obverse of being responsible. Instead of developing strategies of corporate images and self-oriented projects, Roberts claims that the real ethical challenge for corporations is to spend greater efforts on "learning and anticipating the consequences of our actions for others" (Roberts, 2001, p. 125).

As a representative of the critics against welfare economics I have chosen Mark Sagoff and his essay "Four Dogmas of Environmental Economics" (Sagoff, 1994). Based on the work of Coase (1960), Sagoff demonstrates the tautological nature of the theory of welfare economics. This theory, Sagoff claims, can only rhetorically serve as an instrument for government intervention in the market. Instead, he advocates more direct political, institutional, ethical and cultural interventions in order to provide more just allocations and distributions. When markets do promote well-being, Sagoff concludes, it is not because they are efficient, but because "most people are basically decent" (Sagoff, 1994, p. 305). Being responsible is not a consequence of being rational; it is rather the other way around: Responsibility is prior to rationality. According to Levinas, as humans we are responsible not "because of" anything, but from the encounter with the other. Together with the other-directedness in the conclusion of Roberts, I find that the contribution of Sagoff may serve as introductions to the ethics of Levinas applied on business life and the economy.

Levinas was a post-modern philosopher with a background in phenomenology; he went beyond the illusions of modernity, including the "happy end ethics" of environmental management, environmental economics and business ethics. To Levinas, responsibility is more basic than language, and thus also more basic than all social constructions. Co-operation relations in organizations, markets and value networks are generated from personal relations and personal responsibilities. It is not sufficient (and maybe not even possible) to integrate ethics in an impersonal, rational system, neither in business

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organizations nor in the world economy. There can be no ethics in a pure system of formal institutions. Ethics has its source not in rationality, but in the human, in the personal.

Economics, including various theories of business management, is a prime example of what Levinas describes as a totality, which is something that can be comprised in the mind, or the knowledge, of the self (Levinas, 1969). A totality, however, being generated from outside the totality itself, more specifically from the encounter with the other, can never include the other without reducing him to an object in the mind of the self. The encounter with the other will continuously disturb the totality through the ethical demand of being responsible. Focusing solely on profit, however, will close the window towards the exterior.

The paradox of business ethics

A well-known problem in the field of business ethics is that ethics in business management is often considered as a means to earn more money and not as an end in itself (Zsolnai, 2002). The general problem, applicable also to other fields of knowledge than business and economics, is that when ethics is understood only as an additional competence to a professional knowledge or skill, then it is also understood as a means for a better practice in that profession, without changing the criteria for a good practice. For the case of business and economics, business ethics is understood as an optional supplementary to the knowledge of business management. The ethics ''works'' as long as the agents with whom the company deals, such as customers, suppliers, banks, government authorities etc. – usually called the stakeholders of the company – believe that the management of the company actually is responsible. For the management it is thus sufficient to do what is necessary to maintain this belief. Efforts in this direction become superior to that of actually being responsible. The problem occurs when someone else, in this case one or more of the stakeholders, or, as is often the case, the mass media, reveals this strategy. Then the trust generated by the impression of responsibility withers away. In order to prevent this to happen, the company must choose sufficiently sophisticated ways in their strategy. In this way they move into an escalating game of cheating their stakeholders.

The conclusion of this game theoretic approach to ethics in business must be that the only way for the company to completely eliminate the risk of being ''caught'' in their strategy of having an ethical image is actually to be responsible, a conclusion we could call the paradox of business ethics: The only viable way for responsibility (or ethics) as a means of achieving a given goal (here: a maximum profit), is to make responsibility (or ethics) into a goal in itself. But this would mean a substitution of the profit goal with a goal of responsibility, a substitution that would be unacceptable from a profit maximizing point of view.

In this presentation I will discuss to what extent the works of Emmanuel Levinas (1906–1995) may contribute to a way of handling this paradox. My conclusion will be that Levinas contributes substantially in this direction, but not without inducing some challenges in the ways of how we understand and present the relationship between the economy, including business organizations and networks on the one hand and ethics on the other. For Levinas ethics cannot be embedded in any logical system, such as economic and business theory. (The good thing, however, is that so can neither real business life, so that in fact it is the theories and not reality that becomes alien to ethics). Ethics, understood as setting the other before the self, is essentially non-logical. Nonetheless, ethics in this meaning (that is, of setting the other before the self) is a substantial part of real life, in spite of assumptions usually made in economic theory.

Because of the above-mentioned paradox of business ethics, Roberts (2001) claims that ethics in business can only be a strategy of being seen to be ethical, which is the obverse of being responsible. Having contrasted the corporate image (and self-image) of being responsible up against actually being responsible, he then raises the question whether the recent increase in proliferation of business ethics is a sign that responsibility in business is in fact decreasing:

> ''Perhaps talking of ethics heralds its disappearance altogether – as if talk alone could re-conjure the conduct that has just been displaced. This points to a thoroughly dark explanation for the appearance of

> ethical talk. Insofar as prohibition eroticizes precisely what it forbids … then business ethics can be viewed as a mask of the brutalism it denies – a thin ideological veil through which power asserts also that it is good, and hence even more desirable." (Roberts, 2002, p. 122)

Characterizing the corporate strategy of being seen to be ethical as an "ethics of narcissus", Roberts argues, "This new regime of ethical business is no ethics at all. What is being played with here is the corporate image" (Roberts, 2002, p. 110). And his conclusion is:

> "Rather than devote our energies to seeking to make a reality of the imaginary projects we establish for the self and corporation, we could more usefully employ our imagination to the service of learning and anticipating the consequences of our actions for others." (Roberts, 2001, p. 125)

I shall later return to this normative conclusion towards other-directedness and Roberts' premises for this conclusion. Before that, however, I will pose the question of why ethics in business is necessary at all. Does not the well-established theory of economic welfare tell us that the market itself disciplines the agents to do what is best for society?

Why do markets in fact (sometimes) promote well-being?

In his essay "Four Dogmas of Environmental Economics", Sagoff (1994) attacks the core premises of environmental economics, and with that, all welfare economics. Sagoff refers to the work of Coase, especially the essay "The problem of social cost" (Coase, 1960) which actually is a logical deconstruction of the theory of economic welfare. Sagoff demonstrates clearly how Coase reveals the tautological nature of the neoclassical economic theory: As "utility maximizers will always maximize utility", they will by definition always end up with an efficient solution. (If not, they would renegotiate until there is no more potential for any increase in utility). Or, said otherwise: If there is a potential for improvements for one participant, without reducing the utility of another, then the participants will realize this potential, and the result will satisfy the criteria of economic efficiency:

> "Whatever is, is efficient. This reduction of neoclassical theory has been in the literature since the 1930s, when Coase wrote about the theory of the firm. The premises of neoclassical theory, on the assumption that transaction costs are regular costs of production, leads logically to the conclusion that every market is perfectly efficient given resource limitations, and that social and private costs always coincide. Neoclassical economic theory can provide no basis for policy beyond an automatic vindication of the staus quo. The price is always right." (Sagoff, 1994, p. 288)

Sagoff's conclusion from these observations, however, is not the well-known neo-liberal one, which is often connected to Coase and his fellows economists of the "Chicago school", claiming that since the market by itself always will lead to an efficient solution, it should not be "disturbed" by politics. It is rather the opposite: "There are tons of things the public sector may do better than the private sector, but maximizing utility and correcting market failures are not among them" (Sagoff, 1994, p. 291). Sagoff advocates political, institutional, ethical and cultural intervention in the market. Such intervention is highly necessary, because when the market is left to itself, it will not promote a maximum welfare, even if the result is efficient. Sagoff illustrates this point by an example where a factory owner proposes to pollute a residential neighborhood. Applying the theory of Coase on this case, the residents will be willing to pay the factory owner to move elsewhere. And

> "(a)s a rational utility maximizer, undoubtedly, he will. He will move into the next neighborhood, make the same threat, and extract the same price from them. … Indeed, if the factory owner settled into the business of extortion, he would make more money, because he would never have to tie up capital in a factory. And markets would function efficiently." (Sagoff, 1994, p. 304)

Because the real world shows an extensive occurrence of so-called external diseconomies (i.e. cases where economic transactions between two participants have negative consequences to the welfare of a third part), the theorem of the theory of economic welfare stating that markets will automatically lead to a maximum welfare remains as a utopian theoretical contribution. From this, Sagoff then asks: "Why, then, do markets in fact promote well-being?" And his answer is

> "that individuals, although they are busy and often self-absorbed, are not rational utility maximizers. People bring to transactions a keen sense of fairness, a cooperative spirit, and a bit of compassion. They are motivated not just to maximize their own gain but also to serve society as well. Social science research has confirmed again and again these heartening facts – along with a lot of disheartening facts – about human beings. The reason that the 'invisible hand' operates more often than the 'invisible foot' is that most people are basically decent." (Sagoff, 1994, p. 305)

This perspective leads us directly to the need for an ethics in business. In order to promote well-being, markets must be populated by participants who are "basically decent". But what kind of ethics can this be? Here, Roberts' critique of "conventional business ethics" may help us. As we saw in the first section, Roberts, after first having rejected the corporate strategy of being seen to be responsible as being "no ethics at all", he concludes his critique of business ethics by suggesting that "we could more usefully employ our imagination to the service of learning and anticipating the consequences of our actions for others". In other words, he calls for an ethics in business that is oriented towards the other rather than towards the image of the self and its corporation. Referring to Levinas' Otherwise Than Being or Beyond Essence (1991), Roberts describes an other-oriented ethics as something very different from business ethics as we usually know it. The basic, fundamental, other-oriented ethics of Levinas emerges from my encounter with the other. It is an ethics thrown upon me in spite of myself, and of any images I would wish to have of myself.

> "... for Levinas, ethics is only to be discovered as an approach to the other which denudes us of the illusions of ... a sense of self identity; of a self that is essentially closed upon itself." (Roberts, 2001, p. 111)

Such an other-directed ethics must be there in the outset, that is, it must be a kind of a basic ethics that, if it exists, must be an ethics behind any "business ethics", whatever this term is defined to mean, independent of, and even in spite of, any corporate strategy. Such a basic ethics is what Levinas describes in his book Totality and Infinity (Levinas, 1969), a book that was written prior to the work that serves as a source to Roberts. Therefore, I shall here leave Roberts' further elaborations (which is basically an elaboration on identity based on Levinas (1991), Lacan and Foucault), and instead turn the attention to Levinas' Totality and Infinity (1969), a book that in fact has much to say about the relation between ethics and the economy.

Levinas' "totality and infinity"

Levinas opens his book by asking a question which goes right into the problem of the paradox of business ethics. His opening question is "whether we are not duped by morality". Levinas' own background was the loss of all illusions of any morality of the so-called Western civilization during and after the Second World War. On this background the book may also be well worth reading for all those who today feel they have some lost illusions in the talk of business ethics, corporate environmental management, corporate social responsibility, etc.

By a "totality", Levinas means a closed, self-sustained structure of meaning, containable in a single mind. An example of a totality is the economy including its business networks and rules of ethical conduct, totalitarian ideologies, and philosophical systems, all with their own self-sustained logic. With his special experience as a Jew, there is little doubt that Levinas saw Nazism as a prime example of what he in this book defined as a totality (Caygill, 2002, p. 94).

The word "infinity" Levinas adopted from his predecessors in philosophy, especially from Descartes and Bergson, who, by using this word, indicated some sort of impossibility, in this case, something that is beyond comprehension. Just as it is impossible to count all points on a line, it is impossible to catch a continuously moving reality with the tools of static and "dead" concepts. That which is not comprehensible by the human mind remains somewhere "out there" in the "exterior". Ethics, then, for instance in economic life, has its source in the "infinity" of the other, who cannot be contained in one mind without being reduced to a finite representation. (The subtitle of Totality and Infinity is "An Essay on Exteriority.")

The economy is given much attention in the book, and a core thesis is the necessity of distinguishing between the totality of the economy, or rather, of economics on the one hand and the infinity, or rather, the ethics, actually existing in real economic life on the other. The totality of economics is an economy without ethics, just as the totality, or the logic, of the war is a war without ethics. The totality of economics is characterized by utilitarianism, and even hedonism. It is a descriptive morality of the pursuing of the self-interest, but not considered as an explicitly expressed ethics. It constitutes a closed logic, a rationality of egoism. Levinas makes no ethical or moral judgment over the economy – and its enjoyments – as a totality. Instead, he considers this totality as being a necessary condition for ethics. Not unlike Adam Smith, he considers social morality, as we, with Sagoff, have called being basically decent, as a necessary condition for both developing and sustaining economic relations and structures.

Ethics precedes economy

Following Sagoff, markets promote well-being because people are basically decent; an insight that we see serves as a platform for the necessity of an ethics in business. In other words, there has to be an ethical precondition for the economy. Levinas explains this by postulating that all economic relations and activities originates from the meeting between the I and the Other. Without this meeting, there can be no economic relations. In other words, economic activities can neither be explained nor understood by the Robinson Crusoe-based examples frequently used in elementary introductions to neoclassical economic equilibrium models.

As I can never fully contain the other in my understanding, it follows that any dialogue must rest on a positive attitude, an a priori welcoming, hospitality towards the other, before any substantial information can be exchanged. This is the ethical precedence of all human interaction. Derrida characterizes "Totality and Infinity as an immense treatise of hospitality" (Derrida, 1999, p. 21). To have the idea of infinity is to receive from the other beyond the capacity of the I. Derrida explains Levinas by claiming that reason must be under "the law of hospitality" (Derrida, 1999, p. 27). Economy, both in its enjoyment and in its demands for productivity, is distinct from ethics. The economy and its requirements and enjoyments belong to ontology, to being. Said otherwise, Levinas, presumably much because of his own life experience, had no illusions of integrating ethics in the economy.

In our conventional understanding of the economy as a totality, that is, in the academic field of economics, any ethical precondition is absent; there is no room for it in the logic of economics. Levinas' explanation of this is that the encounter with the other is not a cognitive, but rather an ethical, experience. The encounter cannot be represented in a rational model, in a self-sustained totality. Confronted with the face of the Other the I is questioned before any thoughts are thought. The other disturbs my own constructed understanding of reality as a coherent system through which I interpret all my sense perceptions and experiences into my own totality of my view of reality. The other, who appears in front of me, as a face, is not dependent on my (view of) reality. "It (here: the face) is by itself and not by reference to a system" (Levinas, 1969, p. 75). The appearance of the other calls for a response from me, it calls for my responsibility (=response-ability). I can only respond to the appeal from the other in an ethical mode, not a cognitive or rational, as reason is something that comes later. Therefore, ethics precedes the economy. In his preface to Totality and Infinity, Levinas (1969) describes how it is for an individual to be confined within a totality:

> "Individuals are reduced to being bearers of forces that command them unbeknown to themselves. The meaning of individuals (invisible outside of this totality) is derived from the totality. The unicity of each present is incessantly sacrificed to a future appealed to bring forth its objective meaning." (Levinas, 1969, p. 21–22)

However, even though the totality of the economy, or economics, is self-sustained, it still involves uncertainty and risk. The final judge of economic activities is exterior to the agent. Reality is "out there" in "the market", exterior to the interiority of the totality of the economic agent. In Totality and Infinity Levinas discusses this in the section he has called "Commerce, the Historical Relation, and the Face" (Levinas, 1969, pp. 226–232). Here Levinas describes the economy as a place where the subjectivity of the individual actor meets the objectivity of the market. The asymmetry between the subjective and the objective, however, is not only factual, it is primarily ethical. The market does not only demand a certain quantity of some goods from me, it also questions my right to be in business, and with that, my right to be at all. Confronted with this questioning from the other I must respond, I become responsible. This implies that economics and ethics can only coexist in the dialogue and the pluralism of several subjects; they cannot both be contained in one self, and they cannot both be expressed in the monologue of one subject. The market will force the economic actors to question and reflect on their own participation in the economy, as a moral claim. It is not the kind of demand that only involves higher yield or lower costs, which is a claim within the totality, but a questioning of "what": Who are you and what justifies you to be (here)? As expressed by Caygill (2002, p. 106):

> "instead of being expressions of totality, beings are now responsible for their actions, and able to give account of themselves. Transcendence or the 'idea of being overflowing history' makes possible existents that can speak rather than lending their lips to an anonymous utterance of history." (Levinas, 1969, p. 23).

Towards a just society

Ethics is not the antithesis of the thesis of the pursuing of self-interest of the economy, in the way that they together could form a synthesis of some "ethical economy". If that were the case, we would just have another totality. Attempts to construct "environmental economics" or "ecological economics" are examples of attempts to construct new totalities synthesizing ethics and economy. But business and ethics can only both exist in a dialogue, in a plurality, transcending any totality.

A market orientation is an orientation towards the other. We cannot choose not to be evaluated by the exteriority. The centralized regimes in The Soviet Union and Eastern Europe ignored this, they made their own criteria for their own performance, and eventually the regimes collapsed. On the other hand, however, the market cannot replace ethics, that is, hospitality, and decency. The invitation of the market system to pursue one's self interest must be submitted under a preceding attitude of setting the other before the self.

Levinas has described his fundamental ethics as an ethics of being "the-one-for-the-other" (Levinas, 1991). This is not dissimilar to the goal of a corporation of being "for the customer". Such a goal is, at least in its expression, primarily ethical. When this goal, however, in a self-centered perspective, is transformed into a goal of profit maximization, although it by referring to the construction of the market mechanism still claims to be ethical, the lack of ethics is in fact revealed. However, a corporation is more than a rational economic program or a course of actions. It is also an organization of human beings and relations. Thus, while "business ethics" and "economic ethics" will always appear as oxymoron, terms like "corporate ethics" or "organizational ethics" and discourses in these terms indicate to a larger extent an openness towards the other, beyond the totality of the economy, in accordance with the fundamental ethics of Levinas.

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