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# FOREWORD

## Why business needs virtue

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It has been almost 250 years since moral philosopher Adam Smith changed the world. Though there were certainly transactions for profit before *The Wealth of Nations*, Smith offered a comprehensive argument for the benefits that would come from the free exchange of goods and services under conditions of competition. Not only would such an arrangement increase wealth and well-being, but it would do so in almost clockwork fashion, without having to rely on the good will, honesty, communal purpose, righteousness or virtue of its participants. As long as providers of goods were free to compete and consumers were free to choose among providers, quality, honesty, integrity and fairness would drive out self-dealing, dishonesty and downright malevolence. As long as laborers were free to offer their services, fair treatment of employees would drive out exploitation. A market system, under suitable conditions, would regulate itself. As Smith famously said, “it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest” (Smith, 1776/1937, p. 119). Many years later, Smith’s sentiment was echoed by economist D. H. Robertson (1956), who asked “What does the economist economize?” His answer: “The economist economizes on love.”

Smith’s point was not Hobbesian. He did not think that human beings were the sorts of creatures who would ruthlessly exploit one another. Indeed, in Smith’s equally important, but less influential and less discussed *Theory of Moral Sentiments*, he argued that human beings possessed a “natural sympathy” towards one another that would serve to restrain them from doing their worst—keep them from exploiting every possible advantage over others. But even so, how wonderful to operate within a system that did not rely on such sympathy or on any other virtues.

We look back on Smith from the perspective of the twenty-first century and wonder how he could have been so wrong, so naïve. As companies scheme to

defeat pollution-detection devices, price gouge for life-saving drugs, offer bogus financial products and services, and charge fees for products and services that people don't need and didn't ask for, we wonder how Smith could ever have imagined that an economy could run itself. Economic historian Karl Polanyi (1944) suggested that one misstep was in the separation of the economy from the rest of life. People might be decent, as Smith asserted, with their families and in their communities, but ruthless in the marketplace. Before the explosion of free-market institutional structures, with economic activity integrated into the rest of life, virtue in the home might carry over into the shop. But after the industrial revolution, such carryover became less likely. "Natural sympathy" got turned off when people crossed the threshold of their commercial worlds. In my own work (Schwartz, 1986, 1994), I have suggested a different account. Smith might have been right about human sympathy, but wrong to suppose that it was "natural." Rather, it was the product of a rich institutional structure that taught human beings how to be good people. Over time, I suggested, contact with the market corroded the institutions that provided the constraints on our worst impulses, with nothing left to replace them. So, on this view, Smith's mistake was in taking a historical, contingent truth about human beings to be a universal characteristic of human nature. Since social scientists continue to make this mistake, even in the "enlightened" twenty-first century, we should, perhaps, forgive Smith his myopia.

Whatever the source of Smith's "mistake," the promise of a self-regulating market comprised of citizens behaving honestly and honorably has not been met. What has arisen over time is a complex web of regulations and rights designed to protect people from the worst excesses of those with whom they do business. And beyond the legal constraints on market behavior, there have also arisen efforts to define what it means to do business ethically. Every business school teaches business ethics, an implicit acknowledgement of two things, I believe: legal protection will always be incomplete; and we can't count on people to do the right thing "naturally."

Into this territory comes *Business Ethics: A Virtue Ethics and Common Good Approach*, co-authored and edited by Alejo José G. Sison, Ignacio Ferrero and Gregorio Guitián, with various other scholars as authors or co-authors of individual chapters. The book covers all aspects of the business enterprise: leadership, finance, marketing, production, governance, compliance and human resources, with a chapter on each. What makes the book unusual is that instead of resting its ethical principles on either a utilitarian or a deontological foundation, it relies on a theory of virtue—or rather, several theories of virtue. Its central protagonist is Aristotle, the progenitor of most virtue theories, but there is also substantial attention paid to neo-Aristotelian Alasdair MacIntyre and to the Catholic Social Teachings (CST). Each chapter gives us a picture of what Aristotle, MacIntyre and CST might have to say about the topic, along with a detailed case that illustrates modern business practices, either at their best or at their worst. The authors' beliefs, which they argue forcefully and convincingly, is that no set of laws, deontological rules or utilitarian calculations can substitute for people who do the right thing *because* it's the right thing.

“Do the right thing” is a nice slogan, but it raises a big question. What exactly is the “right thing”? It is easy to imagine a corporate CEO who believes that the right thing is to maximize shareholder value. Such a person might be focused single-mindedly on maximizing value and regard ethical niceties like treating employees fairly and treating customers honestly as nuisances to be minimized or avoided all together, unless they contribute to the bottom line. Aristotle’s answer to this central question was to emphasize the teleological nature of all human activity. The *telos* of human life is excellence, and the form that excellence takes depends on the activities in which it is pursued. The *telos* of the flute player is to be an excellent musician; the *telos* of the soldier is to be a brave and cunning warrior; the *telos* of the farmer is to produce a bountiful harvest, and so on. What then, is the *telos* of the financier? The marketer? The production manager? What is excellence in these domains?

The gap between the world that Aristotle was writing about and the modern world is so great that there is no easy way to bridge the gap. Thankfully, we don’t have to. Alasdair MacIntyre has done it for us. MacIntyre’s *After Virtue* (1981) is a tour de force of what I regard as neo-Aristotelian moral philosophy. It is an attempt to apply key Aristotelian ideas about virtue to the modern world. I think it wholly appropriate that MacIntyre’s work has such a prominent place in this book. To me, his work is what gives Aristotle’s ideas real teeth.

Let’s begin by noting the book’s title. It is a remarkably revealing foreshadowing of what is to come. What exactly does “after virtue” mean? It means two different things. First, what, MacIntyre wants to inquire, does the world look like after virtue has disappeared, which he thinks it has in modern, liberal societies. Yes, we still have virtue words in our languages, and we still use them in everyday discourse, but the institutions and practices that gave them deep meaning in times past have largely disintegrated. Second, MacIntyre wants to know how we can go after virtue, how we can pursue it. What changes in social life are necessary in order for virtue, in its deep sense, to reappear?

MacIntyre’s answer to this second question is that, in part, we may have to return to the Aristotelian world in which excellence was defined with reference to specific activities. Towards this end, MacIntyre introduces the notion of a *practice*, which is:

any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended.

(p. 175)

There are several things to note about this definition of a practice. Practices are complex. They are social. They have standards of excellence that are peculiar to them and partly define them. And they develop. The practice of playing basketball is very different in 2017 than it was in 1957. Standards of excellence have changed

dramatically. And importantly, those standards of excellence are established by the practitioners themselves. You might say something like “I don’t know much about basketball but I know what I like.” True enough, perhaps, but should the practitioners—the players—care what you like? Should your likes influence the path that the development of basketball takes? Decidedly, no. The people who buy tickets to basketball games might enjoy slam dunks and fancy passes, but practitioners might well regard them both as mere decorations and ignore the preferences of fans in pursuing the *telos* of basketball. The same can be said of artists. “I don’t know much about art, but I know what I like” may be true. And you may even be entitled to your uninformed preferences. But why should the artist care?

Will the artist and the basketball player ignore the desires of patrons and fans? To answer this question, we must introduce another idea from MacIntyre. Practices depend for their existence on institutions. Artists need galleries, auction houses and museums, and perhaps university programs in art appreciation. Basketball players need leagues, arenas and paying customers so that they can earn a livelihood. And importantly, what enables an institution to thrive—even to survive—may be quite different from what enables a practice to flourish. Without the support of fans, basketball players will have to work at other jobs and develop their skills in their spare time. Without art patrons, artists will be baristas who paint late into the night. Institutions make practices possible, and in doing so, may require practitioners to compromise their standards of excellence. A successful institution—one that is in good working order—will insulate practitioners from the daily pressure to survive. They will support the *telos* of the practice and protect the practitioners from the barbarians at the gate. But sometimes, the practitioners will have to do their part to keep the institutions going.

And so, for MacIntyre, virtue is firmly embedded in and inextricable from the activities and structures of daily life. The enemy of virtue is largely to be found in the sacrifice of the practice-specific *telos* to return on investment, and in the sacrifice of practice-supporting institutions to bureaucratic rule following. Reconstructing our practices and institutions is the way to resurrect virtue. Simultaneously, virtue can be a guide to the shape that reconstructed practices take and to the activities of the institutions that support them.

And now, I think we can see why the authors of this book believe that business ethics should be virtue ethics. The marketers must ask, “what is marketing for? Is it to maximize return or to serve human needs.” The financiers must ask, “what is financial engineering for? Is it to maximize profit, or to enable enterprises to have the resources they need to conduct their business activities?” The banker must similarly ask about the *telos* of banking, the production manager must ask about the *telos* of industrial production, and so on. The various professions that make up a business enterprise are each charged with defining the standards of excellence that characterize those professions. The institutions (firms) that support those professions are all charged with providing conditions that enable practitioners to pursue this *telos* and avoid conditions that undermine it.

Why virtue rather than rules? Two reasons, I think. First, rules require policing and enforcement. When people are willing to do whatever they can get away with, enforcement becomes cumbersome, expensive and inefficient (their lawyers are better paid and better trained than ours). But second, and more important, rules are a blunt instrument when it comes to judging whether a practice is on track and judging which compromises an institution can demand of practitioners to assure the survival of both the institution and the practice. Aristotle understood that rules were a poor substitute for judgment. In discussing the virtues, he famously pointed out that virtue typically was located as the mean between defective extremes. Courage, for example, is the mean between cowardice and recklessness. But the “mean” is no arithmetic average. What is courage in one situation might be recklessness in another. Aristotle thought that what he called “practical wisdom” (*phronesis*) was what enabled us to find the mean between the extremes. This has led my collaborator Kenneth Sharpe and I to call practical wisdom the master virtue, the virtue without which none of the other virtues is possible (Schwartz & Sharpe, 2011). Rules (laws) are what you fall back on when people lack the skill (judgment) or the will (motivation) to do the right thing without them. Reconstructing the language of virtue as the hallmark of each of the professions on which business enterprises depend spares us from having to depend on the ever-escalating arms race of rules, rule evasion and more rules.

If not rules, then why not utility calculation. On this, I think, Aristotle would be clear. Utility calculation requires a single metric—utility—that can be applied across people, domains of activity, and situations. It demands a common standard of excellence. It assumes trade-offs, often between goods that seem quite distinct (e.g., the productivity of an office worker on a project traded off against the welfare of the children at home who need some time and attention). The idea that every activity has its own *telos* resists the very notion that there is a single dimension on which all things can be arrayed, assessed and compared. This is not to say that compromises will never have to be made. The financial arm of a company may decide that a high-risk financial move that violates the *telos* of its profession is necessary if the company is to stay afloat. But, the fundamental incommensurability of goods makes trade-offs difficult and, in this way, protects the *telos* of the individual practices from being corrupted by the needs other practices. In his book *Spheres of Justice* (1983), political philosopher Michael Walzer points out that a single metric for evaluation creates a kind of tyranny. Walzer quotes the French philosopher Blaise Pascal (1670/1961), who said:

There are different companies—the strong, the handsome, the intelligent, the devout—and each man reigns in his own, not elsewhere. But sometimes they meet, and the strong and the handsome fight for mastery—foolishly, for their mastery is of different kinds. They misunderstand one another, and make the mistake of each aiming at universal dominion. Nothing can win this, not even strength, for it is powerless in the kingdom of the wise...

Tyranny. The following statements therefore are false and tyrannical: “Because I am handsome, so I should command respect.” “I am strong, therefore men should love me...”

Tyranny is the wish to attain by one means what can only be had by another. (p. 96).

In sum, I believe that virtue ethics is just what business needs, and it especially needs it now, at a time in history that is “after virtue.” Introducing virtue ethics to the business practices that surround us all may reinvigorate the language of virtue by providing vivid illustrations of virtue in practice. Is such a transformation of our moral language possible? MacIntyre was pretty pessimistic. But philosopher Jeffrey Stout, in *Ethics After Babel*, took MacIntyre to task for failing to notice the myriad small ways in everyday life in which the language of virtue was attached to virtuous practices. Stout discusses, for example, the efforts parents routinely make to encourage their kids to have high aspirations but simultaneously to be fair, show good sportsmanship and not cheat on the soccer field. There may, in short, still be a set of practices and institutions to use as the raw materials to reconstruct a language of virtue and a set of virtuous practices that foster businesses worthy not only of our patronage, but of our admiration. *Business Ethics: A Virtue Ethics and Common Good Approach* will certainly help in that effort.

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