CONCLUSION

Sensitivity to the ethical side of enterprise means searching arduously for decisions and actions that warrant and receive the affirmation of an expanding multifarious constituency. The conceptual framework presented here is one attempt to perceive this constituency in all of its complexity. The ethical algorithm is one means of working with this constituency, rather than against it. The singular importance of enterprise to our daily lives and our collective future demands our careful attention and finest efforts.

NOTES

12. Ibid.

The wealth of nations

ADAM SMITH

Extract I

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.

Whether this propensity be one of those original principles in human nature of which no further account can be given or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to inquire. It is common to all men, and to be found in no other race of animals, which seems to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contrivance, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their goodwill. He has not time, however, to do this upon every occasion. In civised society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that Extracts taken from *The Wealth of Nations*. Book I, ch. III; Book IV, ch. II and Book I, ch. X (respectively). Originally published in 1776.
which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. 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. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessaries of life which he has occasion for, it neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old clothes which another bestows upon him he exchanges for other old clothes which suit him better, or for lodging, or for food, or for money, with which he can buy either food, clothes, or lodging, as he has occasion.

Extract II

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.

First, every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry; provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary profits of stock.

Thus, upon equal or nearly equal profits, every wholesale merchant naturally prefers the home trade to the foreign trade of consumption; and the foreign trade of consumption to the carrying trade. In the home trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and to part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Koningsberg to Lisbon, and fruit and wine from Lisbon to Koningsberg, must generally be the one-half of it at Koningsberg and the other half at Lisbon. No part of it need ever come to Amsterdam. The natural residence of such a merchant should either be at Koningsberg or Lisbon, and it can only be by some very particular circumstances which can make it preferable the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital generally determines him to bring part both of the Koningsberg goods which he destines for the market of Lisbon, and of the Lisbon goods which hedestines for that of Koningsberg, to Amsterdam: and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet for the sake of having some part of his capital always under his own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the carrying trade becomes always the emporium, or general market, for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavours always to sell in the same market as much of the goods of all those different countries as he can, and thus, so far as he can, to convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to sell as great a part of them at home as he can. He saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his foreign trade of consumption into a home trade. Home is in this manner the centre, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employments. But a capital employed in the home trade, it has already been shown, necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country.

Secondly, every individual who employs his capital in the support of domestic industry, necessarily endeavours so to direct that industry that its produce may be of the greatest possible value.

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as
much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

Smith includes the following famous warning to his account

Extract III

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public; or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary.

Why ‘good’ managers make bad ethical choices

SAUL W. GELLERMAN

How could top-level executives at the Manville Corporation have suppressed evidence for decades that proved that asbestos inhalation was killing their own employees?

What could have driven the managers of Continental Illinois Bank to pursue a course of action that threatened to bankrupt the institution, ruined its reputation, and cost thousands of innocent employees and investors their jobs and their savings?

Why did managers at E. F. Hutton find themselves pleading guilty to 2000 counts of mail and wire fraud, accepting a fine of $2 million, and putting up an $8 million fund for restitution to the 400 banks that the company had systematically bilked?

How can we explain the misbehavior that took place in these organizations – or in any of the others, public and private, that litter our newspapers’ front pages: workers at a defense contractor who accused their superiors of falsifying time cards; alleged bribes and kickbacks that honeycombed New York City government; a company that knowingly marketed an unsafe birth control device; the decision-making process that led to the space shuttle Challenger tragedy?

The stories are always slightly different; but they have a lot in common since they’re full of the oldest questions in the world, questions of human behavior and human judgment applied in ordinary day-to-day situations. Reading them we have to ask how usually honest, intelligent, compassionate human beings could act in ways that are callous, dishonest, and wrongheaded.

In my view, the explanations go back to four rationalizations that people have relied on through the ages to justify questionable conduct: believing that the activity is not ‘really’ illegal or immoral; that it is in the individual’s or the corporation’s best interest; that it will never be found out; or that because it helps the company or the company will condone it. By looking at these rationalizations in light of these cases, we can develop some practical rules to more effectively control managers’ actions that lead to trouble – control but not eliminate. For the hard truth is that corporate misconduct, like the lowly cockroach, is a plague that we can suppress but never exterminate.

Three cases

Amitai Etzioni, professor of sociology at George Washington University, recently concluded that in the last ten years, roughly two-thirds of America’s 500 largest corporations have been involved, in varying degrees, in some form of illegal behavior. By taking a look at three corporate cases, we may be able to identify the roots of the kind of misconduct that not only ruins some people’s lives, destroys institutions, and gives business as a whole a bad name but that also inflicts real and lasting harm on a large number of innocent people. The three cases that follow should be familiar. I present them here as examples of the types of problems that confront managers in all kinds of businesses daily.

Manville Corporation

A few years ago, Manville (then Johns Manville) was solid enough to be included among the giants of American business. Today Manville is in the process of turning over 80% of its equity to a trust representing people who have sued or plan to sue it for liability in connection with one of its principal former products, asbestos. For all