Journal of Business Ethics Education 1(1): 73-86.

The Case Against Business Ethics Education: A Study in Bad Arguments

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Abstract. Several popular arguments against teaching business ethics are examined: (a) the ethical duty of business people is to maximize profit within the law, whence the irrelevance of ethics courses (the Milton Friedman argument); (b) business people respond to economic and legal incentives, not to ethical sentiments, which means that teaching ethics will have no effect; (c) one cannot study ethics in any meaningful sense anyway, because it is a matter of personal preference and is unsusceptible to rational treatment; (d) moral character is formed in early childhood, not while sitting in ethics class; and (e) business students see no motivation to study ethics and will not take it seriously. The mistakes and confusion that underlie these arguments are exposed.

Keywords: teaching business ethics, moral development, economic incentives, fiduciary duty.

1. Introduction

The case for business ethics education is many-faceted, evolving, and difficult to summarize. A central mission of the present journal is to contribute to its development. But the case *against* teaching business ethics, or at least one that seems to be in wide circulation, yields to a simple characterization: it is utterly unconvincing. It rests on layers of mistakes and confusion. Perhaps it is fitting, in the inaugural issue of a journal dedicated to business ethics education, to root out some of these mistakes and expose them to the light of day.

Popular arguments against business ethics instruction might be organized as follows:

- *The Milton Friedman argument.* The ethical duty of business people is to maximize profit. This means they should study marketing, finance, and operations and should not waste time studying ethics.

- *The argument from incentives.* Even if there are duties beyond profit maximization, the only practical way to encourage ethical behavior is to install financial and legal incentives. Business people respond to these, not ethics lectures.

- *The gut feeling argument.* One cannot study ethics in any meaningful sense anyway, since it is something you feel, not something you think about.

- *The moral development argument.* Moral character is formed in early childhood, not while sitting in ethics class. By the time students enter business school, it is too late to change.

- *The motivational argument.* Even if there is reason to study ethics, business students see no motivation to study it and do not take the subject seriously.

This sort of skepticism is far from universal, as many acknowledge the relevance of ethics instruction and call on business schools to do a better job of it. Yet time and again I have detected such arguments lurking behind views expressed by students, colleagues, business people, and media commentators.

2. The Milton Friedman Argument

Economist Milton Friedman's (1970) essay, "The Social Responsibility of Business Is to Increase its Profits," is a perennial favorite of my students. It argues that corporate officers have no obligation to support such social causes as hiring the chronically unemployed or reducing pollution beyond that mandated by law. Their sole task is to maximize profit for stockholders, subject to the limits of law and "rules of the game" that ensure "open and free competition without deception or fraud." It follows that the only kind of ethics instruction one needs for a business career is finance, marketing, and operations management, perhaps along with some business law to make sure that one knows the rules of the game.

Friedman does not rule out such pro bono activity as supporting the arts or sponsoring social service organizations. But it must always be justifiable on the grounds that it enhances the long-term profitability of the corporation, if only through image building or good public relations.

Friedman advances two main arguments for his position. First, corporate executives and directors are not *qualified* to do anything other than maximize profit. Business people are expert at making money, not at making social policy, and it is by making money that they contribute to human welfare. They lack the perspective and training to address complex social problems, which should be left to governments and social service agencies.