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. Cooperation 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. Cooperation 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
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