

# Towards a Caring Economy

Dimitria Electra Gatzia

In *Applying Care to Business Ethics*, Issues in Business Ethics, Vol. 34, eds. Maurice Hamington & Maureen Sander-Staudt (forthcoming Sept. 2011)

## 1. Introduction

Neo-liberalism is the predominant economic paradigm in most of the industrialized world. Its key institutions are markets, private or state ownership of the means of production, and wage-labor (Schweickart 1980). The main role of traditional business ethics is to provide guidelines for moral conduct within the neo-liberal paradigm –it is for this reason the term ‘business ethics’ is often used interchangeably with ‘corporate ethics.’<sup>1</sup> Traditional business ethics involves two distinct areas of interest. Firstly, it aims to explain moral conduct pertaining to relations between employers and workers within a corporation. As such it addresses issues arising from the organization of a corporation such as wages, labor unions, working conditions, job discrimination, workers rights, etc. Secondly, it aims to explain moral conduct pertaining to relations among corporations, consumers, and the environment. As such it addresses issues arising from the activities of corporations such as responsibilities to customers and, lately, the environment. Since traditional business ethics operates within the confines of the neo-liberal paradigm, it plays a limited, if any, role in evaluating the paradigm itself. The recent financial crisis, however, has reignited the discussion on the role of business ethics propelling the topic to the forefront on philosophical discourse.

The aim of this paper is to show that a business ethic based on the ethics of care is superior to traditional business ethics. It shall be argued that neo-liberalism is inconsistent with the ethics of care since it either excludes caring institutions or treats them as preferences to be satisfied as the ‘free’ market sees fit. Unlike traditional business ethics, a business ethic based on the ethics of care can play an important role in challenging the neo-liberal paradigm. Many business issues that are treated as peripheral by traditional business ethics can thus take central stage in a business ethic based on the ethics of care.

---

<sup>1</sup> The terms 'corporate' or 'corporations' are intended to have a wide scope as to include any private or state owned company.

## 2. The Ethics of Care

The ethics of care is a normative ethical theory. It differs from deontology and consequentialism in two important respects.<sup>2</sup> Firstly, it acknowledges the important role certain emotions play in moral reasoning. Traditional moral theories, by contrast, view emotions as irrational and thus antagonistic to the reasoning process. As Rousseau aptly observed, however, moral reasoning is best when “guided...by reason and modified by empathy”.<sup>3</sup> Rousseau recognized that reason, in the absence of moral emotions, could pervert moral judgment. Adam Smith, the father of 'free market' economics, also believed sympathy and proper moral sentiments to be of crucial importance for the proper functioning of society. Contemporary moral psychology seems to support Rousseau's and Smith's claims. Pizarro (2000), for example, argues that moral emotions play an integral role in the process of moral judgment. The ethics of care is consistent with such assessments. It views “sympathy, empathy, sensitivity, and responsiveness as the kind of moral emotions that need to be cultivated not only to help in the implementation of the dictates of reason but to better ascertain what morality recommends” (Held 2006:11). It further recommends that ruthlessness, insensitivity, and inability to build intimate relationships, which are staples of neo-liberalism, should be replaced by moral emotions (Fraser and Gordon 2006).

Secondly, the ethics of care “respects rather than removes itself from the claims of particular others with whom we share actual relationships...[and] calls into question the universalistic and abstract rules of the dominant theories” (Held 2006:11). It views the interests of individuals “as importantly intertwined rather than as simply competing” (Held 2006: 15). It “focuses on attentiveness, trust, responsiveness to need, narrative nuance, and cultivating caring relations” because it recognizes that protecting and promoting the actual specific interests of those involved requires attending to the contextual details of a situation (ibid). Those particularly vulnerable to society's choices and their outcomes are given additional consideration, which is measured according to the level of their vulnerability and affectedness. Traditional theories, by contrast, seek fair solutions between competing individual interests and rights and “give primacy to such values as autonomy, independence, noninterference, fairness, and rights” (Held 2006:

---

<sup>2</sup> Slote (1998) views the ethics of care as an agent-based virtue ethics of caring. Held (2006) argues that Slote “misses the centrality of caring relations for an ethics of care” (p. 51). A caring person, according to her, not only needs to have the intention to care and the disposition to care effectively but must also participate in caring relations. Although I agree with Held, whether the ethics of care is an independent moral theory or a version of virtue ethics is not pertinent to my argument.

<sup>3</sup> Rousseau, *Discourse on Inequality*, Note XV, p. 218, 1986.

129). While the ethics of care aims to safeguard individuality, it recognizes that “noninterference...even between equals can be isolating and alienating” (Baier 1994: 24). It thus aims to remove isolating and alienating barriers among individuals and maintains that traditional theories “miss out on essential and ineliminable aspects of human life” such as social, communal, and emotional (Groenhoul 2004: 55). Their view of dependency as a character defect, for example, tends to stigmatize those who are unable to care for themselves (Fraser and Gordon 2006). The ethics of care reclaims dependency as an inescapable feature of the human condition and aims to dispel the myth that independence is inextricably tied to individuality. It thus encourages society to treat those who cannot care for themselves with dignity and respect. In viewing interdependence as a necessary condition for achieving individual interests, the ethics of care offers an alternative way of assessing moral conduct in the context of business. It can pave the way for adopting a business ethic that challenges the neo-liberal paradigm.

### **3. The Aim of Economics**

The preferred term for economics until late nineteenth century was ‘political economy.’ Political economy originated from moral philosophy and it was developed as a study of the economy of a state. The moral, political, and economic spheres, at that time, were treated as hybrids. In the quest for objectivity and universality, neo-liberal economists began treating economics as a “hard” science inadvertently isolating it from its primary aim, i.e., to improve people’s lives. This realization has prompted some to argue that economics is best understood as a “policy science” rather than a “hard” science (Varian 2000). Varian, for example, notes that “Keynes was only half joking when he said that economists should be more like dentists. Dentists claim that they can make peoples’ lives better; so do economists” (2000: 353). Viewing economics as a policy science, i.e., as a science of prescribing deliberate plans of action to improve people’s lives, provides a basis for evaluating neo-liberalism. For, it allows us to ask: What sort of deliberate plan is prescribed by neo-liberalism? How does such a plan purport to improve people’s lives? Does neo-liberalism succeed in improving people’s lives?

Answering these questions requires an understanding of the main tenets of neo-liberalism. Neo-liberalism reduces prices of all products and services to the supply and demand behavior of individuals, which is then reduced to wants and productive abilities of individuals (Wolff and Resnick 1987: 45). Thus, its key aim is continual maximization of profit. No distinction is made

between desires and needs. The desire for golden toilet seats, for example, is no different from, nor prior to, the need for potable water (Baruchello 2008). It is assumed that the pursuit of rational self-interest, when led by the forces of the unregulated market or, to borrow Adam Smith's term, 'the invisible hand', tends to benefit society as a whole by maximizing its wealth. Adam Smith articulates these ideas in the following passage:

Every individual...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. (*The Wealth of Nations* Book IV Chapter II)<sup>4</sup>

Neo-liberalism equates the wealth of a nation, and hence its wellbeing, with its economic growth, which is measured in terms of the total amount of goods and services produced either by all nationals of a country (i.e., gross national product or GNP) or within a country (i.e., gross domestic product or GDP). Empirical studies, however, show that increases in per capita GDP are not identical to the economic wellbeing of the people. Although the annual GDP of the United States reached 14 billion in 2008 and 2009, the nation's official poverty rate increased from 12.5 percent in 2007 to 13.5 percent in 2008 (U.S. Census Bureau). Out of the 37.3 million people in poverty in 2007, 13.3 million were children under 18. The numbers increased to 39.8 and 14.1 million respectively in 2008. Despite the high rates in per capita GDP, the poverty rate in the United States is colossal. Inequality in the United States has risen considerably in the past 30 years, with the top one percent capturing 10 percent of all income in 1979 and over 23 percent in 2007 (Schmitt 2009). Meanwhile, the GDP per capita increased from 1,038 billion in 1970 to 14, 259 billion in 2009 (U.S. Census Bureau). This shows that the wealth of nations, measured in terms of their GDP, is consistent with the poverty of their people. Similarly, increases in per capita GNP are "not identical with improvement in the economic well-being of real human beings" (Cobb 2007: 365). This is more noticeable when GNP per capita is compared to the Index of Sustainable Economic Welfare (ISEW) for the United States. Unlike the GNP measure, the ISEW measure assumes that "the well-being of society as a whole is affected by the

---

<sup>4</sup> Smith's claim is not a metaphor but a metaphysical assumption, specifically a Providential conception of human affairs. See Denis (2005) and Nicholls (1992).

condition of the poorest” (Cobb 2007: 365):

Computation of the ISEW begins with the personal consumption but then adjusts this in relation to income distribution... The index then adds for household services, chiefly the contribution of housewives. It subtracts for “defensive costs,” that is, costs that result from economic growth and the social changes... [and] for the reduction of natural capital, and adds or subtracts for change in the net international position. (Cobb 2007: 365)

A comparison of economic growth as measured by per capital GNP with economic wellbeing as measured by per capital ISEW shows that from 1951-1990 the former more than doubled (it went from \$3741 to \$7756) the latter rose less than 15 percent (from \$2793 to \$3253). From 1971-1990, the former rose by 43 percent while the latter fell by 5 percent. Since the GDP and the GNP per capita are an average of output divided by the number of people, they cannot provide accurate information about the distribution of national income between the wealthy and the poor. The ISEW is a better indicator of wellbeing since it takes into consideration a number of factors that contribute to the poverty of the people.

Empirical studies show that poverty “has mental health consequences that are negative, widespread and sometimes severe” (Fryer, 2006). Research in neuroscience, for example, suggests that the brains of children who grow up in poverty tend to have higher levels of stress hormones than children of more affluent families.<sup>5</sup> Excessive levels of stress hormones cause irreparable harm to children’s brains since they “disrupt the formation of synaptic connections between cells in the developing brain” and affect the blood supply.<sup>6</sup> Stress hormone levels also affect neural development associated with language disabilities and memory impairment. When such mental disabilities are coupled with external conditions, such as inadequate nutrition and exposure to environmental toxins, the effects of poverty are even greater. People in poorer countries are more likely to be affected by environmental toxins due to industrialization. The alarming increase in cancer rates in industrialized countries, however, suggests that neo-liberal policies have serious adverse effects on wealthier countries.<sup>7</sup> It follows that the deliberate plan prescribed by neo-liberalism fails to eradicate poverty and maximize wellbeing.

---

<sup>5</sup> See Schmitt (2009).

<sup>6</sup> The results were presented at the American Association for the Advancement of Science meeting in Boston.

<sup>7</sup> The International Agency for Research on Cancer (IARC) reports that global cancer rates are expected to increase by 50% to 15 million in the year 2020. (Press Release No 145 in April 3, 2003.)

#### **4. Rational Self-interest and Irrational Societal Outcomes**

Despite overwhelming evidence to the contrary, neo-liberalism continues to be the dominant economic theory. Neo-liberalism assumes that individuals act independently and have perfect information allowing them to pursue their rational self-interest (Wilber 1998: 94). Under these conditions, rational self-interest is indeed expected to promote rational social outcomes.

However, as Wilber notes, “the more realistic assumption is that one person’s behavior affects another’s and that each has less than perfect knowledge of the other’s likely behavior” (1998: 94). The recent financial crisis exemplifies how the pursuit of rational self-interest can lead to irrational societal outcomes. Although each company aimed to maximize its profit, their collective actions brought about the near collapse of the global economy.

Global warming is another example of how rational self-interest can lead to irrational societal outcomes. We are now on the precipice of environmental destruction (McMurtry 1999). Yet, neo-liberalists continue to advocate consumerism. Instead of viewing the economy as “a subsystem of a finite biosphere that supports it”, neo-liberalism treats it as existing “in a void”, thereby encouraging unsustainable growth (Daly 2005: 100):

When the economy's expansion encroaches too much on its surrounding ecosystem, we will begin to sacrifice natural capital (such as fish, minerals and fossil fuels) that is worth more than the man-made capital (such as roads, factories and appliances) added by the growth. We will then have what I call uneconomic growth, producing "bads" faster than goods -making us poorer, not richer. Once we pass the optimal scale, growth becomes stupid in the short run and impossible to maintain in the long run. Evidence suggests that the U.S. may already have entered the uneconomic growth phase. (ibid)

The conflict between economic growth and environmental protection has stimulated discussion about sustainable growth. However, as Daly and Townsend note, “[e]ven “green growth” is not sustainable... To delude ourselves into believing that growth is still possible and desirable if only we label it “sustainable” or color it “green” will just delay the inevitable transition and make it more painful” (1993: 268). Recognizing that “under conditions of interdependence and imperfect information, rational self-interest frequently leads to socially irrational results” can provide the impetus to reject neo-liberalism (Wilber 1998: 94).

## 5. The Neo-liberal Dogma

Despite the devastating effects of neo-liberal policies, the mainstream view in American society and most of the industrialized world is that there is no viable alternative. Alternatives are mentioned in mainstream media only to be promptly dismissed as quixotic. At the same time, defenders of neo-liberalism never acknowledge that irrational market outcomes are systemic. They instead attribute them to either internal or external inefficiencies of the market—external inefficiencies are attributed to government regulations while internal inefficiencies are attributed to gluttony, or some other flaw, of economic actors in the market. The collapse of Enron exemplified the tendency to treat economic failures as a problem of a few greedy individuals who had lost their moral compass or, as the mainstream media reported, “a few bad apples”.

The financial crisis is a more recent example of the failure of neo-liberalists to acknowledge that irrational market outcomes are systemic. Defenders of neo-liberalism attribute the financial crisis on the “secrecy” among economic actors, which “goes against the basic requirement of an efficient market transaction” (Duska 2006: 219). Financial firms, Duska asserts, had “forgotten what they are about” and focused exclusively on the maximization of profit (2006: 219).<sup>8</sup> This is indeed a curious remark given that neo-liberalism encourages economic actors to remain unconcerned with society at large and focus exclusively on maximizing their profit. Financial firms, pace Duska, seem to have acted in accordance with the neo-liberal paradigm. Such behavior, however, far from increasing the nation’s wealth brought the global financial market to its knees. The global economy would have collapsed in the absence of governmental intervention.<sup>9</sup>

The unwavering faith in unregulated markets has given rise to the claim that markets are the new religion. Loy (1997), for example, acknowledges that it is difficult to define religion but argues that if

we adopt a functionalist view and understand religion as what grounds us by teaching us what the world *is*, and what our *role* in the world is, then it becomes obvious that traditional religions are fulfilling this role less and less, because that function is being supplanted—or overwhelmed—by other belief-systems and value-systems. Today the most powerful alternative explanation of the world is science, and the most attractive value-system has become consumerism (275).

---

<sup>8</sup> The Financial Crisis Inquiry Commission Report published in January 2011 paints a similar story.

<sup>9</sup> This explanation is nevertheless incorrect since it ignores that the financial sector was aware that they were selling “bundles” of and selling insolvent loans. For a comprehensive analysis see Baruchello (2011).

Neo-liberalism, Loy maintains, should be understood as a religion because it fulfills a similar role. For, “the discipline of economics is less a science than the theology of that religion, and its god, the Market, has become a vicious circle of ever-increasing production and consumption by pretending to offer a secular salvation” (Loy 1997: 275). History shows that unquestionable faith in religious doctrine can lead to tragic outcomes. The same can be said about unquestionable faith in economic doctrine. Economic systems that produce adverse social outcomes are flawed from the point of view of the ethics of care but can find justification in traditional moral theories.

## **6. Justice, Rights and the Ethics of Care**

Traditional moral theories are consistent with neo-liberalism and have been used throughout history to justify it. Nozick (1974) and Rawls (1971), for example, use deontology<sup>10</sup> to defend two distinct theories of justice consistent with the neo-liberal paradigm. Although such theorists might value care, they do not view it as a moral constrain but rather as an “optional extra” (Baier 1994: 25). However, as Baier aptly notes, giving primacy to rights has traditionally led to “the oppression of those on whom the primary right-holders depended on to do the sort of work they themselves preferred not to do” (1994: 25). The “domestic work was left to women and slaves, and the liberal morality for rights-holders was surreptitiously supplemented by a different set of demands made on domestic workers” (Baier 1994: 25). The same can be said about business relations between employers and workers.

The exploitation of workers by employers “is sugar-coated by the paternalistic show of concern for them” (Baier 1994: 131). Employers have the right to deprive workers of their retirement by filling for bankruptcy but workers have no right to additional compensation even when rises in productivity result in increased profits. Recently, the Supreme Court further extended the rights of employers, thereby contributing to the oppression of the workers. It ruled that workers cannot sue their employer over wage discrimination unless they have filed a formal complaint with a federal agency within the first six months of the occurrence. No exceptions were made for cases in which workers were unaware of being subjected to discrimination during the first six months despite that they might continue to be discriminated to the present day (Ledbetter v. Goodyear). This decision ignores workplace realities since workers are often

---

<sup>10</sup> Natural Law Theory provides justification for the former while Kantian Ethics provides justification for the latter.



required to sign confidentiality agreements that prevent them from discussing their salaries with coworkers. It also affects female workers more than it affects their male counterparts since the former are more likely to encounter pay discrimination. Such cases suggest that the liberal morality of the employer is surreptitiously supplemented by a different set of demands made on the workers. Although employers and workers are equal in the eyes of the law, in reality the former are afforded rights to dominate, oppress, and exploit the latter. Just as the legal equality between women and men has not yet manifested in equal pay, the legal equality between employers and workers has not yet manifested in equal political power. The recent push for austerity measures in the United States and Europe is another example of the tendency to expect workers to absorb the costs of neo-liberal policies; in this case the cost of the deregulation of the financial market.

The ethics of care recognizes that “unless a human society incorporates, encourages, and supports the development of caring practices in its citizens, the society cannot sustain itself” (Groenhoul 2004: 12). Since humans exist “in the context of affectionate relationships with other humans...social, communal, and emotional aspects of human life are critical to any surviving society” (Groenhoul 2004: 24). Neo-liberalism, however, views communities as “instrumental mechanisms for the satisfaction of individual preferences” and treats these aspects of human life as irrelevant (Held 2006: 131). Consequently, this is the first time in the history of civilization that enormous food surpluses and famine exist simultaneously. Nozick’s entitlement theory can provide justification for such adverse outcomes: so long as the original acquisition and the subsequent transfers of the holdings were just, such states of affairs are justifiable. No such justification, however, can be provided from the point of view of the ethics of care since it

clearly implies that society must recognize its responsibilities to its children and others who are dependent, enabling the best possible bringing up and educating of its future generations, appropriate responses to its members in need of health care, and assistance with the care of dependents. It clearly implies that the members of wealthy societies must recognize their responsibilities to alleviate the hunger and gross deprivations in care afflicting so many members of poor ones. (Held 2006: 159)

The priority the ethics of care assigns to care is “not meant to displace justice and judgments made on the basis of justice” or rights since it “does not require that we surrender a commitment to universal principles” but “simply that we recognize that as they have been thus far constructed, they do not cover all possible conditions in the world” (Held 2006: 149). The

ethics of care can incorporate considerations about justice and rights.<sup>11</sup> It can maintain that any economic system that assigns priority to the maximization of profit while failing to distinguish between frivolous desires and real needs cannot be just.<sup>12</sup> Rights that promote domination, oppression, and exploitation cannot be justified from the point of view of the ethics of care. The ethics of care “calls for the transformation of the different segments of society, with caring values and cooperation replacing the hierarchies and dominations of gender, class, race, and ethnicity” and recommends that economies focus “on actually meeting needs rather than enriching the powerful” (Held 2006: 161). Considerations about care can steer society in the right direction. For, as we shall see in the next section, once we define “care as the serious and complex set of practices that it is,” we can “immediately recognize that care is not private, not banal, and not indiscriminately charitable” (Tronto 1996: 151).

## **7. Care as a personal, political, and economic concept**

The emphasis an ethic of care places on personal relations has contributed to the narrow understanding of care as a personal concept. Feminist theorists, however, have recently challenged the idea that care should be confined to the private sphere. Mary Daly, for example, identifies care as an inherently social activity and argues that “making provisions for care... affects a whole series of societal settlements” (2002: 251). As societies “respond to the needs associated with care, they are altering the division of labour, cost and responsibility among and within the state, market, voluntary/non-profit sector and family” (2002: 261). In most welfare states, for example, childcare is treated as paid labor, often in the form of paid leave afforded to the parents. In neo-liberal states, however, it is treated as domestic and thus unpaid labor since it is not a transaction occurring *in* or *through* markets (Wolff and Resnick 1987). It is only treated as paid labor when it enters the market where it is viewed as a service available to parents for a fee. In the absence of a profit incentive, neo-liberalism makes no provisions for childcare or any other social needs. The ethics of care, by contrast, views childcare, among other things, as a social responsibility.

Joan Tronto argues that the idea of care can be extended to the political sphere. Care can

---

<sup>11</sup> Held (1993) believes that the ethics of care is only applicable to the private realm and proposes to combine it with the ethics of justice, which she views as applicable to the public realm. Gelfand (2004), on the other hand, argues that justice can be conceived as a part of caring. Slote (1998) makes a similar argument.

<sup>12</sup> McMurtry's value theory offers a compelling criterion to determine real needs. See McMurtry (2005).

be understood as a political concept because it can serve “in both of the usual senses in which we use the language of politics: care is both a goal...and a strategy” (1996: 143). As a goal, it can be viewed as a collective ideal. Societies that place priority on personal gain over the common good produce individuals who become self-centered and insensitive towards others. Such societies ultimately perish. Instead of viewing society as an aggregate of consumers aiming to independently satisfy their own desires, the ethics of care invites us to view society as an association of citizens who find fulfillment in the service to their fellow humans. As a strategy, it can be used to affect outcomes in the political process. Viewing the current health care debate from this perspective, for example, can provide the basis for rejecting the current paradigm of health care as a commodity and adopting a new paradigm of health care as a social service. This, in turn, can provide the grounds for instituting a universal health care system.

Smith (2005) argues that even though many social idealists and feminist ethicists distance themselves from market relations, care should be understood as an economic concept. Indeed, Held maintains that caring institutions should be positioned *outside* the market:

In practices such as those involved in education, child care, health care, culture, and protecting the environment, market norms limited only by rights should not prevail, even if the market is fair and efficient, because markets are unable to express and promote many values important to these practices, such as mutually shared caring concern. (2006: 120)

Smith agrees with Held (2006) that markets as prescribed by neo-liberalism cannot provide for the caring institutions society needs, but argues that markets need not be inconsistent with the notion of care since it might be possible to extract caring qualities from markets (2005: 11). The recognition that, pace neo-liberalism, markets require sustained intervention can provide the impetus to alter them in order to better contribute to human aims:

To this end, rather than writing and worrying about what ‘the’ market is, and how ‘it’ works, we might think about the politics of a complex web of institutions of production, consumption and exchange in the same way Elizabeth Grosz has encouraged us to think about the body...[She] argues that the body should be assessed in terms of ‘what it can do, the things it can perform, the linkage it establishes, the transformations it undergoes’ (Smith 2005: 17).

Markets, Smith argues, can be viewed as an alternative “route to post-capitalism: one which reclaims the markets for society by making them different” (2005: 14). This can allow society to

move from “the competitive ‘welfare place’ of neo-liberal states towards the care-full space of a reformatted economy” (Smith 2005: 16).

As it will be shown in the next section, markets need not be inconsistent with alternative economic systems and can be transformed to better contribute to human aims. Such transformations, however, cannot occur within neo-liberalism, which is inconsistent with the ethics of care. More generally, any economic theory that is inconsistent with the ethics of care cannot support such market transformations. This realization can provide the impetus to view business ethics apart from the neo-liberal paradigm.

## **8. Towards a Caring Economy**

Schweickart defends an economic system, which he calls “Economic Democracy,” that retains some version of the market but allows society to reclaim the means of production and eliminate wage labor (1980, 1992, 1996).<sup>13</sup> Its three basic features are:

1) each productive enterprise is managed democratically by its workers; 2) the day-to-day economy is a market economy: raw materials and consumer goods are bought and sold at prices determined by the forces of supply and demand; 3) new investment is socially controlled: the investment fund is generated by taxation and dispensed according to a democratic, market-conforming plan (1992: 19)

Economic Democracy allows society to reclaim the means of production. Workers manage the means of production, but they do not own them. These are “the collective property of the society. Societal ownership manifests itself in” a legally binding agreement according to which “value of the capital stock of a firm be kept intact” through the use of a Depreciation Fund (Schweickart 1992: 8). Workers can sell off their capital stocks only by replacing them with others of equal value. This encourages them to view the health of their company as an extension of their own wellbeing. The social control of new investment is designed to “alleviate the “anarchy” of capitalism” –that is, to discourage overproduction of goods that cannot be sold for profit (Schweickart 1992: 9). The investment fund, which is funded by capital taxes, eliminates usury. A society that does not offer personal loans in order to collect interest is not only more equitable, but it also fosters caring relations among its members. People are encouraged to view others as

---

<sup>13</sup> For other alternatives to capitalism see Nürnberger 1998; for limits of market organizations see Nelson 2005; for an exposition on various economic systems see Gary and Joyce Pickersgill 1974.

ends in themselves rather than as means to maximize profit. When the dynamics between people change so does their outlook. When people learn to view others as a means to maximize profit, they do not hesitate to oppress and exploit them. But when they learn to give and receive care, they no longer view others as mere means to their own ends.

Economic Democracy also eliminates wage-labor. It thus replaces the hierarchy between employers and workers with a democratic system –one person, one vote –which allows workers to fully participate in the decision process. This “aims at breaking the commodity character of labor-power and the attendant alienation” by giving each worker a vote and a specific share of the net revenue (Schweickart 1992: 8). Rather than viewing other workers, from a competitive viewpoint, as obstacles to one’s success, one is encouraged to adopt a collaborative viewpoint and to bond with others. The elimination of wage-labor discourages society from thinking of human beings as a mere resource (Tronto 1996). Terms like ‘human resources’ are inherently demeaning since they encourage viewing workers as mere commodities to be bought and sold in the market. Eliminating wage-labor fosters caring relationships among citizens not only within a particular society but also across the globe. Viewing other countries as mere human or material resources necessary to our economic growth encourages imperialism, exploitation, and oppression.

Under neo-liberalism, the market has a dual function. It “allocates goods and resources” but also “determines the course and rate of future development” (Schweickart 1992: 9). Economic Democracy eliminates the latter function of the market. It does not view the market “as an absolute good, the paradigm of free human interaction” but rather “as a useful instrument for accomplishing certain societal goals” (1992: 21). It rejects the neo-liberal view of markets as domains in which social interactions are reduced to exchanges between individuals who share no social ties (Held 2006: 112). This is consistent with the ethics of care, which recognizes that market relations involve “personal exchanges between persons who have social connections with each other and exchanges that incorporate various of the values other than market ones of the items or services being traded” (Held 2006: 112).<sup>14</sup> The ethics of care encourages building caring relations not only with those with whom we share our planet but also with future generations from whom we are borrowing it. It views the destruction of the planet as taxation without representation since costs incurred by us are passed on to future generations.

---

<sup>14</sup> Held argues that neo-liberalism ignores these relations.

Replacing these neo-liberal institutions with caring institutions that encourage cooperation can eliminate hierarchies and domination of class, gender, and race. Neo-liberalism's presupposition that humans are self-interested by nature has transformative effects on people's attitudes. Empirical studies show that exposure to microeconomics had a significant effect on generosity for Arts and Sciences majors but little effect on generosity for Economics majors (Bauman and Rose 2009). Moreover, economic students tend to free ride far more than other students:

except for students of economics who score far lower, 40–60 percent of the subjects studied did not try to free ride but engaged instead in cooperative behavior to produce a social good” (Held 2006: 113).

The results are hardly surprising given that neo-liberalism neither incorporates nor encourages the development of caring practices, but is concerned primarily with rational self-interest. Free riders, in this view, are indeed acting as rational self-interested players since they benefit by shifting the costs to other players. The neo-liberal view of humans as mere calculative, self-interested, independent players concerned exclusively with the fulfillment of their own desires seems to be a self-fulfilling prophecy.

Just as exposure to neo-liberal ideology can have negative effects on human attitudes, exposure to the value of care can have positive effects. If the people behind Rawls's veil of ignorance, for example, were exposed to “Ruddicks's “maternal thinking”...they might have reasoned to different conclusions than Rawls's two principles of justice about liberty and the distribution of goods by the difference principle” (Tronto 1996: 144). Similarly, if people were exposed to the ethics of care, they might have found Nozick's theory of justice deplorable; Nozick treats any voluntary transactions as being just but allows that ‘voluntary’ need not imply choice (Schweickart 1980: 31).

## **9. The Business of Caring**

Traditional business ethics functions as a corporate ethic. It aims to explain moral behavior pertaining to the relations either between employers and workers or among corporations, consumers, and the environment. Since it operates within the confines of neo-liberalism, it is not in a position to challenge neo-liberal institutions or practices. To illustrate this let us compare the approach of traditional business ethics to that based on the ethics of care towards two dominant

institutions of neo-liberalism: the corporation and wage-labor.

A corporation is an institution whose purpose is imbued by law. According to Milton Friedman, the corporation has “one and only one social responsibility...to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”<sup>15</sup> (1982: 133). Friedman maintains that no corporation should spend its money “for purposes it regards as socially responsible but which it cannot connect to its bottom line” (Bakan 2004). Social responsible actions are thus encouraged only insofar as they do not encroach upon the maximization of profits. When conflicts arise between corporate and social benefits, the former always takes priority over the latter. A corporation “compels executives to prioritize the interests of their companies and shareholders above all others and forbids them from being socially responsible –at least genuinely so” (Bakan 2004: 37). Therefore, attempts to blame executives for social irresponsibility fail to properly distinguish between an institution and an individual. Executives might be caring individuals but they are bound to be unethical if the institution they participate in is designed to be unethical. Similarly, slave owners might care about their slaves but they are nevertheless monstrous individuals because the institution of slavery in which they participate in is monstrous.<sup>16</sup> Since executives are obligated to prioritize the interests of their companies and shareholders above all others, it behooves us to ask whether the corporation is a moral person, especially since legal personhood was conferred on it by law.

Applying the Psychopathy Checklist (PCL) to the corporation shows that it exemplifies all of the typical characteristics of a psychopath (Bakan 2004). These include callous unconcern for the feeling of others, incapacity to maintain enduring relationships, reckless disregard for the safety of others, deceitfulness, incapacity to experience guilt and failure conform to social norms (ibid). As Dr. Hare, a leading researcher in psychopathy, notes, a “*lack of empathy and asocial tendencies* are...key characteristics of the corporation” (Bakan 2004: 57). When corporations get caught breaking the law, for example, “they pay big fines and...continue doing what they did before. And in many cases the fines and the penalties paid by the organization are trivial

---

<sup>15</sup> Decisions made by individuals who interact with one another *through* or *in* markets often have negative effects on individuals *outside* the market. Economists use the term “externalities” to refer to such costs. Air or water pollution is an example of an externality (Wolff and Resnick 1989). It is worth noting that corporations can pass such costs to others without violating Friedman’s provisions since externalities need not arise from either deception or fraud.

<sup>16</sup> Noam Chomsky provides this analogy in the documentary “The Corporation”, which is based on the book by Joel Bakan (2004).

compared to the profit that they rake in” (ibid). Such fines are thus viewed as the cost of doing business. Like psychopaths, corporations “refuse to take *responsibility* for their own actions”, they “are *unable to feel remorse*”...and attempt to “*manipulate* everything, including public opinion” (ibid). Their aim is to project an image that resonates with the public even though it may not correspond to reality. “Human psychopaths are notorious for their ability to use charms as a mask to hide their dangerously self-obsessed personalities. For corporations, social responsibility may play the same role” (ibid). The failure of BP, for example, to comply with maintenance and safety regulations is contrary to the socially responsible image it tries to project. Recently, BP changed its name from “British Petroleum” to “Beyond Petroleum” in an effort to appear environmentally conscious. In reality, increasing the demand for petrochemicals continues to be its primary goal (ibid).

A traditional business ethics approach to corporate conduct involves explaining which actions are unethical and determining what constitutes a just fine or penalty for the given violation. The corporation as an institution is not challenged since it is presupposed that its rights are as important as anyone else’s rights. A business ethic based on the ethics of care, by contrast, can challenge the existence of such institutions on the basis that they are legal persons who are psychopathic by design. It follows that there can be no ethical grounds for their existence in a society that embraces caring practices. The ethics of care aims to replace corporations with institutions that are designed to promote rather than hinder the common good.

Neo-liberalism views humans as commodities to be sold and bought in the unregulated market and identifies ‘work’ with ‘wage labor.’ The role of traditional business ethics is thus to determine what constitutes a fair wage. “From the moral point of view, prices, like wages, should be just or fair”, proclaims a contemporary business ethics textbook.<sup>17</sup> Since a portion of the profits must be allocated to wages, employers and workers have an inherently antagonistic relationship. Employers want to pay workers as little as possible while workers want to get paid as much as possible. Since employers occupy positions of power over the workers, they are more likely to benefit when a compromise is reached.<sup>18</sup> For, as Adam Smith aptly noted, a “manufacturer [or] a merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not

---

<sup>17</sup> See Shaw 2011: 230.

<sup>18</sup> Since executives virtually determine their own pay by appointing the board of trustees, they are not on a par with an average worker.



subsist a week, few could subsist a month, and scarce any a year without employment” (*The Wealth of Nations* Book I Chapter VIII).

The antagonistic relations existing between employers and workers cannot be resolved on the basis of rights alone. States can, and frequently do, limit collective bargaining rights. This was as true in Adam Smith’s days –who notes that the “masters, being fewer in number, can combine much more easily; and the law, besides, authorizes, or at least does not prohibit their combinations, while it prohibits those of the workmen” (ibid) –as it is today. The fact that the minimum wage continues to be below the living wage in the United States, one of the most affluent countries on the planet, is further evidence that employers continue to control the political process. Despite laws aimed to protect workers, decreases in the profit margin frequently translate to layoffs while increases in productivity rarely translate to benefits for the workers. From the traditional business ethics point of view, the former constitutes an ethical economic transaction so long as it is based on fair contractual agreements while the latter constitutes a supererogatory act.

Identifying ‘work’ with ‘wage labor’ has consequences on class and gender hierarchies. Women’s reproductive functions tend to either limit their work to the home or create a “second shift” problem of unpaid housework or childcare and waged labor. Feminists have long argued that the term ‘work’ must be redefined to include non-wage-earning labor (Fraser and Gordon 2006; Held 2006). Although this is a good start, it cannot be the end goal since redefining the term ‘work’ would have no effect on the antagonistic relations between employers and workers. Giving priority to care can reshape our view of the relation between public and private life and transform economic policy. The way we view leisure, time, work, dependence, independence, and care are inextricably connected to our socioeconomic life. As Fraser and Gordon (2006) remind us, the current stigmatized view of welfare dependency historically emerged along with neo-liberal practices. The ethics of care can justify the elimination of wage labor on the basis of its adverse effects on individuals and society. Although individuality and self-determination are consistent with the ownership of the means of production by workers, wage labor is not.

## **10. Concluding Remarks**

The above discussion illustrates that business ethics based on an ethic of care is superior to traditional business ethics. The ethics of care can be used to show that economic systems that

exclude caring institutions, or treat them as preferences to be satisfied as the 'free' market sees fit, are inferior to those that do not. The primacy the ethics of care assigns to needs over desires can give voice to many who have none under neo-liberalism. A business ethic based on the ethics of care can be used to challenge the neo-liberal paradigm. Additionally, it can be used to defend the claim that humans have the right not to be used as resources since this inevitably involves the creation of dominant relations and institutions. Many business issues that are treated as peripheral by traditional business ethics can thus take central stage when viewed from a business ethic based on the ethics of care. Business ethics thus construed is not just an ethical code of business conduct but a way of life.<sup>19</sup>

---

<sup>19</sup> I am grateful to Giorgio Baruchello, Douglas Woods, and an anonymous referee for helpful comments.

## References

- Baier, Annette C. "The Need for More than Justice." In *Moral Prejudices: Essays on Ethics*. Cambridge, Massachusetts: Harvard University Press, 18-32, 1994.
- Bakan, Joel. *The Corporation: The Pathological Pursuit of Profit and Power*. New York: Free Press, 2004.
- Baruchello, Giorgio. "Capitalism and Freedom: The Core of a Contradiction -an Essay on Cornelius Castoriadis and John McMurtry." *Nordicum-Mediterraneum: Icelandic E-Journal of Nordic and Mediterranean Studies*, 2008.
- \_\_\_\_\_. (2011) "Your Money or Your Life John McMurtry and Martha Nussbaum on the For-profit Assault upon Life-capabilities." *Journal of Philosophy of Life* 1:1, 13-48, 2001.
- Cobb, John B. Jr. "Towards a Just and Sustainable Economic Order." In *Environmental Ethics: An Anthology*, edited by Andrew Light and Holmes Rolston III. Oxford: Blackwell Publishing Ltd., 359-370, 2007.
- Copp, David. *The Oxford Handbook of Ethical Theory*. Oxford: Oxford University Press, 2006.
- Daly, Herman E. "Economics in a Full World." *Scientific American* 293: 3, 100-07, 2005.
- Daly, Herman E. and Townsend Kenneth N. *Valuing the Earth: Economics, Ecology, Ethics*. Cambridge: The MIT Press, 1993.
- Daly, Mary. "Care as Good for Social Policy." *Journal of Social Policy* 31: 2, 251-70, 2002.
- Denis, A. The Invisible Hand of God in Adam Smith, *Research in the History of Economic Thought and Methodology* 23:1, 1-32, 2005.
- Duska, Ronald F. *Contemporary Reflections on Business Ethics*: Springer, 2006.
- Fraser, Nancy and Gordon, Linda. "'Dependency' Demystified: Inscriptions of Power in a Keyword of the Welfare State." In *Contemporary Political Philosophy: An Anthology*, edited by Robert E. Goodin and Philip Pettit, 591-606. Oxford Blackwell Publishing Ltd., 2006.
- Friedman, Milton. *Capitalism and Freedom*. Chicago: Chicago University Press, 1982.
- Fryer, David. "Insecurity, and Restructuring of Unemployment and Mental Health", *Unemployment and Health: International and Interdisciplinary Perspectives*, (ed.) Keiselbach, T., Winefield, A. H., Boyd, C., Anderson, S., 21-34, 2006.
- Gelfand "The Ethics of Care and (Capital?) Punishment". In *Law and Philosophy* 23, 593-614, 2004.
- Groenhoul, Ruth E. *Connected Lives: Human Nature and an Ethics of Care*. Oxford: Rowman &

- Littlefield Publishers, Inc., 2004.
- Held, Virginia. *The Ethics of Care Personal, Political, and Global*. Oxford: Oxford University Press, 2006.
- Held, Virginia. *Feminist Morality*. Chicago: Chicago University Press, 1993.
- Loy, David R. "The Religion of the Market." *Journal of the American Academy of Religion* 65: 2, 275-90, 1997.
- Maguire, Daniel C. *Ethics: A Compete Method for Moral Choice*. Minneapolis: Fortress Press, 2010.
- McMurtry, John. *The cancer stage of capitalism*. Pluto Press. London: Sterling, VA, 1999.
- \_\_\_\_\_. "Principles of the good life: The primary theorems of economic reason." Unpublished manuscript circulated amongst EOLSS contributors to the encyclopedia entitled "Philosophy and World Problems", 2005.
- Nelson, Richard R. *The Limits of Market Organization*. New York: Russell Sage Foundation, 2005.
- Nicholls, D. The Invisible Hand, Providence and the Market. In *The Values of the Enterprise Culture*, edited by P. Heelas & P. Morris. New York: Routledge, 217-36, 1992.
- Nozick, Robert. *Anarchy, State, and Utopia*. Oxford: Basic Books, Inc., 1974.
- Nurnberger, Klaus. *Beyond Marx and Market: Outcomes of a Century of Economic Experimentation*. New York: Zed Books Ltd, 1998.
- Pickersgill, Gary M. and Pickersgill, Joyce E. *Contemporary Economic Systems: A Comparative View*. New Jersey: Prentice-Hall Inc., 1974.
- Pizarro, David. "Nothing more than Feelings?: The role of emotions in moral judgment." In *Journal of the Theory of Social Behavior* 30, 355-375, 2000.
- Rawls, John. *A Theory of Justice*. Cambridge (MA): Harvard University Press, 1971.
- Rousseau, Jean-Jacques. *The first and second discourses and essays on the origin of languages* (trans. and ed.) Victor Gourevitch, 1986.
- Schmitt, John. "Inequality as Policy: The United States Since 1979", *Real-World Economics Review*, 51, 2009.
- Schweickart, David. *Capitalism or Worker Control? An Ethical and Economic Appraisal*. New York: Praeger Publishers, 1980.
- Schweickart, David. "Economic Democracy: A Worthy Socialism That Would Really Work." *Science and Society* 56:1, 9-38, 1992.
- Schweickart, David. *Against Capitalism*. Boulder: Westview Press, 1996.

- Shaw, William H. 2011. *Business Ethics: A Textbook with cases*, Wadsworth Publishing (7th edition) 2010.
- Singer, Peter. "The Famine Relief Argument." In *Social and Political Philosophy*, edited by Elizabeth Smith and H. Gene Blocker. New Jersey: Prentice-Hall Inc., 456-465, 1994.
- Slote, Michael. "Justice and Caring." In *Social Philosophy and Policy* 15, 171-195, 1998.
- Smith, Susan J. "States, Markets, and an Ethic of Care." In *Political Geography* 24, 1-20, 2005.
- Sollenius, Jan. *Humane Economy*. Stockholm: Almqvist and Wiksell International, 2000.
- Tronto, Joan C. "Care as a Political Concept." In *Revisioning the Political: Feminist Reconstructions of Traditional Concepts in Western Political Theory*, edited by Nancy J. Hirschmann and Christine Di Stefano. Boulder: Westview Press, 139-155, 1996.
- Varian, Hal R. "What Use Is Economic Theory?" In *Variants in Economic Theory: Selected Works of Hal R. Varian*. Northampton: Edward Elgar Publishing, 352-360, 2000.
- Waldron, Jeremy. "Superseding Historic Injustice." In *Contemporary Political Philosophy: An Anthology*, edited by Robert E. Goodin and Philip Pettit. Oxford: Blackwell Publishing Ltd, 2006.
- Wilber, Charles K. "Trust, Moral Hazards, and Social Organization of Work." In *Economics, Ethics, and Public Policy*, edited by Charles K. Wilber. Oxford: Rowman & Littlefield Publishers, 1998.
- Wolff, Richard D. and Resnick, Stephen A. *Economics: Marxian Versus Neoclassical*. Baltimore: John Hopkins University Press, 1987.