

Is Making Money the Purpose of Business?

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“The purpose of business is to make money.” I don’t know how many times I have heard this claim – from teachers in courses I was taking, from students in my ethics classes, from faculty colleagues. “Running a business is not like running a non-profit organization. The goal of non-profit is to improve society or provide a service to people. The purpose of business is to make money.” In this essay, I will argue that the purpose of business is not “to make money,” but is rather to improve society. Yes, managing a business is far different than administering a social service agency. Yes, running a business involves goals and concerns that are distinct from the concerns one faces in leading a non-profit organization. But no, the purpose of business is **not** to make money. This common misunderstanding, I will argue, is based on a confusion, and leads to unfortunate misconceptions concerning the nature of business and how it should be conducted. In particular, the claim that the purpose of business is to make money rests on the failure to distinguish between the purposes, goals and intentions of individual business persons, or of stockholders, and the purpose of business itself. While it is clearly the purpose of the stockholders and business persons to make money, at least in most cases, it is not the purpose of business itself to make money. I will argue that, quite contrary to popular belief, it is the purpose of business to improve the lives of those living within the society in which business takes place. Finally, I will argue that failure to understand the true purpose of business frequently leads business people to perform actions which in fact undermine the free flow of business and free enterprise.

Having laid my cards on the table, I expect some are ready to set this article aside as obviously mistaken and naïve, just dribble from another philosopher who doesn’t understand what business is all about. “Anyone who has been involved in real business knows better than that!” I can already hear business school professors reacting. For those who stick it out, I will present an argument for my claims. But as an immediate response, I remind these skeptics that I have, in fact, been “involved in real business.” I am involved in business every time I go to the supermarket or the video rental store. As a consumer of many goods and services, I am a party to business. I am as necessary to business as are managers and investors. Without consumers like me, the other parties would be “out of business.” To suggest that only those who run businesses or

invest in them know about business, and therefore have a unique right to clarify the nature and purpose of business, reflects the very misunderstanding I will discuss below. Having said this, I hope that at least some who are at first inclined to disagree will hear me out, and perhaps will even begin thinking about the purpose and practice of business enterprise in a new way.

I.

The seed of my argument can be found in a passage from Plato's Republic. In his famous work, Plato presents Socrates as seeking an account of "justice." A key part of his argument is the description of the just or good city-state. Plato's argument is long and detailed, and seemingly far removed from the issue of the purpose of business. Near the beginning of the dialogue, however, Plato provides a helpful thought experiment. Socrates (the character in the dialogue who I take to express Plato's perspective) proposes that he and his dialogue partners should "watch a city coming to be in theory." (369a) By seeing how and why a city develops, Socrates believes he will find greater understanding concerning what constitutes a good city. My contention is that it also provides important insights into the nature and purpose of business.

Socrates begins by suggesting that "a city comes to be because none of us is self-sufficient, but all need many things." (369b) He then explains what he means. Since we all need many things, we must call upon one another for aid or assistance in all sorts of ways. Thus we form communities. What are the things we need? To live a decent life we need food, we need clothing and shelter, we need to keep healthy, to name some of our most obvious needs. But how will these needs be met? Socrates first has his interlocutors imagine what it would be like if each person tried to supply all of his or her needs without help from others. A person, for example, might spend part of his time farming, part of his time building a house, parts of his time making shoes, baking bread, weaving clothes, and so forth. Since each one needs all of these things, each one would divide his or her time among the important tasks in a similar fashion. Imagine on the other hand, that each person were to specialize in the work at which he or she excels. One person, who is a talented farmer, devotes her time to farming; another, who is an excellent baker, spends his time baking bread. Weaving, making shoes, caring for the ill, are each performed by persons who are skilled at these tasks. Each one does what he or she is best at. In this latter scenario surely all will be better served, for each will be performing that task at which he or she is most productive. And all will reap the rewards. "The result, then, is that more plentiful and better-quality goods are more easily produced if each person does the one thing for which he or she is naturally suited, does it at the right time, and is released from having to do any of the others." (370c) The justification for all of

this specialization of labor is that it makes life better for all. In short, men and women come together into communities or cities in order to share their skills and talents more efficiently in the pursuit of a better life.

The relevance of Socrates' thought experiment to business is made plain in Socrates' next question. "And how will those in the city itself share the things that each produces?" (371b) It was the benefit derived from sharing the products of their labor that justified the formation of the community in the first place. This is the purpose of the community. To carry out this purpose, Socrates says, "... we'll need a marketplace and a currency for such exchange." In other words, Socrates introduces the practice of business, using money as a medium for exchange of goods and services. He also expands the types of players involved. It would be a waste of time for farmers to sit around at booths in the marketplace waiting for customers, so there should be shopkeepers or "retailers." Since importing and exporting goods from other communities can further improve the quality of life, there will be a need for "merchants" who travel from city to city buying and selling goods. Finally, there will be "wage-earners" who are best suited for labor.

Socrates' intention has been to outline the bare minimum of what he takes to be necessary for men and women to live together in a city. Of more interest to us, he has also outlined a primitive market structure. In the rest of the dialogue he includes various additional types of citizens, who all have something special to contribute: artists, jewelers, cooks, nanny's and all sorts of others. Plato's ultimate focus is not on merchants and business folks, but on the rulers. Nevertheless, the basic principle remains the same: The community is better when each person specializes in what he or she does best. In a good community, he suggests, there will be specialized producers, buyers and sellers, exchanging goods and services by means of money. Plato paints a picture of a community engaged in the activities of business. And the purpose of this activity is to make the city good or just by improving the lives of its citizens.

II.

Plato's thought experiment suggests that the purpose of business is not to make money, but to make life better for all involved. My purpose in the rest of this paper is to defend and extend this lesson in the form of an argument. On one level, my argument is really quite simple. It has six premises. I begin with the assumption that (1) business is the activity of the freely exchanging goods and services through a market structure. Business could not take place without both buyers and sellers, and as Plato has suggested, probably "middle men" as well. Second, (2) I will argue that such activity between individuals could not take

place without an agreement, at least implicitly accepted, among those who make business transactions. In other words, business rests upon a “social contract” between the parties who engage in business. Third, (3) the “purpose” of an activity governed by a social contract, is to fulfill the intentions of those who enter into the contract. Fourth, (4) most, if not all, parties who enter into business do so for the purpose of improving their lives. (5) It is thus the purpose of business activity to improve the lives of all who engage in it. Furthermore, (6) all members of a community characterized by a free exchange of goods and services are parties in business activity to some extent in various capacities. All are consumers. Many are producers. Some are merchants, etc. But everyone is a party to business, to the buying and selling of goods and services (including labor), and thus everyone in a free society is a party to the implicit agreement upon which business rests. On the basis of these premises, it follows that (7) the purpose of business is to improve the lives of all members of the community.

I have stated my argument. But of course I must clarify and defend my premises and respond to a number of objections. Let’s begin with the first premise. The assumption laid out here seems clear and plausible. I suppose the term “business” could be stretched to include activities that do not fit my assumptions. For example, someone could speak of providing food and housing to slaves as a kind of “business.” This would not be a “free” exchange of goods and services. And it would not be the purpose of all of those involved to improve their lives. The slaves have not chosen to be involved at all. If they could, they would not engage in such “business.” The purpose of this “business” is in fact none other than to make money for, or at least to promote the interests of, the slave owner. The purpose of such “business” would not be to improve the lives of all the parties involved. But I will assume that this is neither the type of business we want to promote in our communities, nor is it the type of business that is referred to when we hear “it is the business of business to make money.” When such comments are made, it is about the kind of business that involves a *free* exchange of goods and services. I will assume then, that this is what we mean by “business.”

My second premise is probably the one that needs the most explanation and defense. I claim that (2) business rests upon an implied social agreement that makes business exchange possible.¹ On what basis do I say this? Let me begin

¹ I am obviously inspired in my use of the notion of a “social contract” by contractarian philosophers such as Thomas Hobbes, John Locke and much later John Rawls. I do not think, however, my argument depends upon the ethical theories which these philosophers defend. It is not even my contention that ethics in general is established by means of such a social contract. In a way, the contract I have in mind does not so much establish ethics as it does tap them as a foundation for business. In entering into the contract we agree to conduct our business according

with the simplest type of business transaction. Imagine that John is a shoemaker and Alice is a baker. Each realizes that if John makes two pairs of shoes and Alice bakes two loaves of bread, and they exchange, they will each have better shoes and tastier bread. But certainly they could not engage in the actual exchange of goods without first agreeing on the terms of the exchange. “If I give you a pair of shoes, you will give me a loaf of bread,” for example, has to be agreed upon. If, as I have suggested, the exchange is agreed upon even before the goods are produced, the parties must share a common trust, and a common commitment to operate according to fairness. John would not make Alice a pair of shoes if he did not believe that Alice would really bake an extra loaf of bread for him. And the exchange itself would not take place unless it happened according to the same principles of fairness. In an environment free of coercion and manipulation, Alice would not give John her bread if John did not give Alice his shoes. Obviously, typical business transactions are far more complex than this imagined exchange between John and Alice. Yet, the need for an implicit agreement remains no matter how complex the business structure becomes. No matter how large the volume, for example, producers would not freely produce goods unless they expected those who consume them to in some way compensate them as producers (perhaps through mediating wholesalers and retailers). And they expect this compensation to be fair. Consumers would not freely pay for goods or services that they did not believe were going to be delivered. In both cases, the parties are led to believe that something will come their way as a result of engaging in business. They trust that it will.

This gives us a hint of at least two levels at which parties in business must share a common agreement. First, on the surface level, they share a series of agreements of the form of “I’ll give you this (make this for you, etc.) if you give me that (provide this service, pay this amount of money, etc.). But on a “deeper” level, the possibility of such exchange assumes that the parties agree that the agreements on the surface level will be made with truthfulness and that they will be fulfilled fairly. Underlying business, then, is an implicit social agreement that involves at least the virtues of fairness and honesty. The implicit agreement upon which modern business rests is much more complex than an agreement to these simple virtues. Not only does business require the agreement that transactions will occur fairly and truthfully, and that those engaged will be trustworthy, it requires an agreement on a system of money and a market structure that operates according to certain rules, and lots of other details. The complexity of business

to certain commonly accepted ethical principles. And our very acceptance of the contract, as a kind of implied promise, has no force unless there is some more fundamental principle that says one should keep one’s agreements. I am not, then, claiming that all ethics rests upon a social contract. Rather, I am claiming that business rests on a contract, and it is that contract which defines the purpose of business.

necessitates a more complex social contract, but it does not negate the need for an implied contract at the basis of the business structure. Nor does the complexity negate the need for the basic virtues that even simple business depends upon: fairness, truthfulness and trustworthiness. In short, business rests on an implicit agreement about the way in which business transactions will take place, and a trust that those who engage in business will be characterized by certain moral virtues.

It may be argued that parties to business need not agree to any such basic assumptions and principles. In offering a pair of shoes, for example, I am not necessarily agreeing to be fair or trustworthy. There is, it might be said, no essential guarantee. Of course, there can be and are dishonest and unfair business people. But, if we consider this possibility, we find even more support for my point. First, even for these individuals (unfair and dishonest business persons) the success of business depends upon others *thinking* that they are honest and fair. Thus, these people can only succeed in business through a parasitical relationship to a business structure in which it is assumed that the parties will be, for the most part, honest and fair. Second, once it is known that an individual is unfair or dishonest, others (if the business environment is truly free and not exploitive) will no longer do business with him or her. Why would I make a free business exchange with you if it would only help you and perhaps harm me? Thus, a person who does not agree to and live by the basic contract establishing the truthfulness and fairness of the exchanges will not, over the long haul, succeed in business. Finally, even if it were possible for a few dishonest and unfair business people to escape detection, it is still true that the business structure itself would be impossible if all, or even the majority of transactions, were undertaken in disregard for basic virtue and commonly accepted rules of business.

My immediate point is not the nature of these rules. Perhaps they can vary from one business environment to another (although I have already suggested some common ethical threads that I think are necessary – honesty and fairness). My point here is rather that the “game” of business can only be played if the players agree to some rules. If a player does not agree to play by the rules, he or she will soon be out of the game. If the players disregard the rules on a regular basis, the game at best falls apart and at worst becomes an environment of exploitation and warfare. In either case, it is not what free enterprise is all about. If goods and services are to be freely exchanged it is simply the fact that the parties involved must agree upon rules for how it will take place. Without this agreement, there can be no real business.

But why do the parties make this agreement? Why should they agree to enter into the game of business and play by the rules of the game? My fourth

premise provides an answer to this question. I would like to explain this premise and then return to defend the third. In premise four, I claim that (4) the reason most (if not all) parties enter into the agreement upon which business is based is to improve their lives. Each party buys or sells goods and services for the purpose of making his or her life better, at least most of the time. Why do I qualify my claim with “most”? I do so for a simple reason, although my argument would be logically stronger if I left this qualifier off. Many philosophers, especially contractarians, have assumed that individuals are always motivated by self-interest. I am not sure this is the case, at least with regard to the reason individuals engage in business transactions. Imagine, for example, that my sister opens a book store. She and I have always been close and I want very much for her business venture to succeed. So I buy books from her store. Perhaps I could buy the same books for less from Borders. Maybe I don’t even like to read. Perhaps I end up giving the books away. Yet, I may still buy books to help out my sister. The pure egoist, of course, can argue that I will benefit from my continuing good relationship with my sister, or from her success, or whatever. All of this may or may not be the case about my motivations. For the sake of my present point, it doesn’t really matter. My claim is that even if there are some times in which we engage in business transactions when we do not believe they will make our lives better, for the most part we do. That is all my argument needs.

Turn now to my third premise. What would be the purpose of a “social contract”? What would be the purpose of human activity defined by a social contract? Would it not necessarily be to fulfill the goals or intentions of the parties as they make the agreement? Imagine that three friends, Robin, Allison and Sean all wish they had a vacation home in Hawaii. They talk, do some research, and realize they can have their desire. If they each agree to pay one third of the price, they can afford a nice condominium on Maui. So they agree. Why does Robin enter into the agreement? To make it possible to buy a vacation home in Hawaii. The same is true for the others. Certainly the purpose of the agreement is to make it possible for the parties of the agreement to buy a condominium in Hawaii. My third premise simply makes this conclusion in general about social agreements. In general, (3) the purpose of a contract, and the activity governed by one, is defined by the goals or intentions of the parties as they make the agreement. Just as this seems plausible in the case of friends who enter an agreement to buy a condominium, it seems plausible in the case of the implicit agreement underlying business. You and I enter into business with certain intentions and goals. In doing business, we implicitly agree to follow certain rules. We agree to these rules to enable the parties involved to fulfill their intentions and goals, or as I have argued above, to make their lives better. The general point, stated in my fourth premise is that the purpose of an agreement is derived from the purposes of those who make the agreement. Combined with the

third premise, which is that it is the purpose of all who enter into business activity to improve their lives, we reach the conclusion, the fifth claim of my argument, (5) that it is the purpose of business to improve the lives of all the parties who engage in that business.

My next claim, the sixth, is that (6) in a community characterized by free exchange of goods, which is to say in free, capitalist societies in the world today, everyone is a party to business. We all buy many goods and services. Even the poorest among us must buy many things from others. Most of us, if not all, sell goods, services or labor to others in exchange for money which we use to buy other goods and services to improve our lives. We are all consumers. Most of us are providers of some sort. Some, who are wealthy are investors, owners, and so forth. It is sometimes assumed that it is the latter who are really engaged in business. But in fact, if business is the exchange of goods and services that makes our societies work, it is clear that it is all of us who are engaged. We are all parties to business. But if this is true, then when added to my fifth claim, it follows that (7) the purpose of business is to improve the lives of all who live in the community in which business takes place.

III.

If the purpose of business is to improve the lives of people who engage in business, that is of all in a community, then why do so many people think the purpose of business is to make money? The misunderstanding rests on a simple confusion. If what I have said is correct, the purpose of *business as an activity* is to improve the lives of those in the community. But I have already recognized that *individuals* do not (often) enter into business for the purpose improving the lives of all in the community. The purpose for which individuals enter into business, at least generally, is to improve their own lives, not the lives of everyone else. Since money is a key instrument through which individuals can buy goods and services that can (sometimes) make life better, it is not hard to see that business people and business investors enter the business market with the goal of making money. Thus, for these people it is (usually) true that their purpose for engaging in business is to make money. The mistake, then, is to confuse the purpose of those who own and/or invest in businesses with the purpose of business per se. Sure, it is clearly the purpose of investors, for example, to make money. That's what investment is all about. But why should we assume that the purpose of the entire enterprise of business is identical with the purpose of one subset among the parties engaged in business? There seems to be no rational argument to favor one group over the others. All are necessary for business exchange to occur.

Thus, I content that business executives and managers should make improving people's lives one of their aims, to be balanced with effective profit management. Students of business management should be taught that it is part of business itself to consider the interests of all who engage in business, whether consumers, laborers, managers or investors. One of their aims should be to improve peoples' lives. And unfortunately I should probably add that this also entails that one of their aims is to avoid doing business in such a way that people are injured or harmed. One group of people involved are investors. Clearly a for-profit organization should aim at increasing the wealth of those who invest. The organization should not use money in such a way that the value of its stock continually declines. But other parties to business also have purposes in engaging in business. Laborers, for example, share with investors the goal of making money. Like investors, they also enter into their activities with the clear expectation that their involvement will yield money with which they can improve their lives. Similarly, consumers enter into business transactions with the purpose of improving their lives in all kinds of ways, often not with the purpose of making money. A couple may go to a movie to enjoy an evening of entertainment. Another couple close to retirement may buy a condominium in which they can retire comfortably without having to worry about lawn care and property upkeep. In each of these cases, it is the purpose of the consumers to use money to improve their lives. Usually, when I hear people say the purpose of business is to make money, I get the sense that the speaker is thinking it is the investor, or the owner, or perhaps the manager who will make the money. Less often do business instructors emphasize that it is the purpose of business to make money for laborers, or to provide products for customers that improve their lives. Government leaders do sometimes recognize these purposes, as when they try to attract businesses to a city to lower unemployment and improve the quality of life through increased options for consumers. These are in fact purposes of business that should not be forgotten. Investors, managers, workers, consumers, the lives of all of these are improved through *good* business.

Some, no doubt, will respond that my argument so far is trivial. But if what I have said is correct, there are some interesting implications for how business persons should conduct themselves. Let me order my thoughts in terms of three statements I have heard from people involved in business. First, I have heard it suggested, in the context of training people for careers in business, that when you are in corporate business, you work for the stockholders, and it is their interests alone that matters. Well, yes and no. You do work for a company that is funded by its stockholders. And of course they could withdraw their funds from your corporation. And so their interests are very important and you must take their concerns into consideration. This much is correct. But is their interest in making money all that you should consider. Since you "work for them," is

making money for them your only goal? Certainly not! Although some people talk like this, I doubt whether any really believe it. There are some things that are simply out of bounds. For example, if murdering two employees and throwing their bodies into the middle of the ocean will help you make more money for the stockholders, and if you can pull it off without getting caught, it does not follow that you should do this. Everyone agrees that this kind of behavior would be beyond the limits of ethically acceptable business practice. (Killing two people to improve profits is not just illegal, it is unethical. In this case we have reinforced the ethical limit through legal action, making this behavior illegal as well.) It would seem, then, that your job is to make money for the stockholders *within the boundaries of what is ethically acceptable*. But entering into an implicit trade agreement, communicating to those with whom one does business that their lives will be improved through the transaction, while one knows that they will not, is a clear case of deception. It violates the implicit contract that underlies the structure of business. Although less extreme than murder, deception is beyond the limits of ethical behavior.

The key ingredient in understanding these limits is the recognition that in business there are a variety of interests that a good manager must balance. And among these are the interests of the stockholders, laborers, consumers, and the community at large. This is true for several reasons. First, ethics demands it. As a party to the contract that underlies business, you have a moral obligation to carry on your business within the agreed upon rules for business and basic principles of fairness and truthfulness. Second, good business demands it, in two senses. If your business does not improve the lives of all involved, it does not fulfill the purpose of business and thus is not good business. Cynical business people, of course, will dismiss both of these reasons for operating within the rules. So here's a second way in which good business demands it. If you make corporate profit your only concern, ignoring the interests of others involved, chances are you'll lose your job. Any business that flagrantly ignores the welfare of the public, exploits its workers, cheats and lies to consumers, will not be tolerated by the community at large. It will fail, and you will fail in your responsibility to the stockholders. You do have a responsibility to make money for the stockholders. But, quite honestly, the way to make money for your stockholders, in the long run, is to conduct good business. And to conduct good business is to fulfill the contract upon which business is based; it is to seek to improve the lives of all with whom you do business. If you are a manager and your boss, or board, or the stockholders do not care about the lives of laborers, consumers and the community at large, then perhaps you should find a more worthy place of employment. I predict that eventually your current employment will be lost when the company you work for crumbles.

A second statement I have heard frequently is that ethics has nothing to do with business, or even more extreme, that business and ethics are opposites. This usually comes in the form of a joke: “Business Ethics!! What an oxymoron!” The assumption, which I believe many who crack this joke accept, is that the purpose of business is essentially in tension, even at odds, with the goals of ethics. But this is far from the case. In fact, business and ethics go hand in hand. This is true in at least two ways. First, as we have seen, business exchange is only possible if certain principles and virtues are agreed upon and lived out among the parties involved. Business transactions can only happen if the parties can trust one another to be truthful and fair in what they say and do. In other words, sustained business activity is impossible without a framework of ethical norms in place within which it can occur. Far from being at odds with ethics, business *requires* ethics. Secondly, the function of ethics is itself closely related to that of business. Consider three major ethical theories. Kantian ethics defends the dignity of individuals, and the importance of treating each person with respect, not using any person as a mere means. A business which seeks to increase the profit of its owners at the cost of exploiting or harming its workers violates both the purpose of business and the basic principles of Kantian ethics. A business, on the other hand, which operates in such a way that it creates profit for its stockholders while at the same time improving the lives of its workers and consumers, fulfills both the function of business and the principles of Kantian ethics. Similarly, business which seeks to improve the lives of all with whom it deals will come much closer to achieving the utilitarian aim, that of maximizing the amount of happiness and interest satisfaction in the world. Finally, Aristotelian virtue ethics emphasizes the importance of character, virtue and community in coming to live the truly good life. If business depends upon the assumption that those involved enter transactions straightforwardly and honestly, then good business persons will be men and women of virtue and good character, and good business will encourage communities in which all the members of the community flourish in virtue. Business will run more efficiently and effectively to the extent that all members of the community live virtuous lives. Thus, whether one thinks in terms of Kantian, utilitarian, or Aristotelian ethics, good business and ethics go hand in hand.

This is not to say, of course, that the aims and purposes of *individuals* who engage in business are all ethical. My argument has assumed that most of us, as we engage in business, do so to make *our own* lives better. There is nothing inherently unethical about seeking to make our lives better, but ethics calls upon each of us to think of the concerns of others as well. Thus, ethics may well conflict with our individual goals as we engage in business activity. The conflict is not between business and ethics. It is between ethics and our individual desires and aims. Or between ethics and the desires and aims of an executive or board

stockholders who focus narrowly on their own aims and forget those of others involved. The activity of free business exchange brings together a variety of parties, all of whom have their own aims. To some extent a free market balances these aims and interests and enables all the parties to benefit from one another. But this can only happen if transactions are carried out in an ethical way.² This is one reason it is crucial to understand the purpose of business. If a student believes that the purpose of business is simply to make money for himself/herself, or for the stockholders, he or she will become a very poor manager, unable to consider and weigh the goals and purposes of all involved. His or her aims as an individual will get in the way of good business practices. As I stated above, the tension is not between business and ethics, but between individual self-interest on the one hand, and both ethics and business on the other. Good business and ethics both require that we limit our own interest-satisfaction for the good of others. Since humans have a strong tendency to put their own immediate interests about those of others to such a degree that others are harmed or suffer, there is a tension between self-interest and ethics. But this is not a unique problem for business. “Business ethics” is no more of an oxymoron than “human ethics”! And in fact, it is the very tension that makes ethics so important. Ethics is a needed check for our human tendencies, whether in business or in other realms of life.

² I once had a conversation with a friend serving as a veterinarian with a non-governmental organization in a nation known for its corruption. Even to import used computers donated by U.S. citizens, customs officials in the nation demanded inordinate amounts of money. Because such demands were common, my friend informed me, there was little international business in that nation. Corruption simply did not provide the environment in which such business could take place. I am not one to believe that “globalization” is always helpful in improving the quality of life in developing nations. But the quality of life in this particular nation, I would suggest, suffers from the lack of international business and trade, or even aid. This example also speaks to another objection that might be raised against my argument. It is common for those engaged in international business to justify various types of behavior, such as bribes, with “that is just the way business is done there.” To fully respond, we would have to consider the specific context in each case. In some cases, bribes may be little more than “tips.” Cultures can vary in the way gifts are exchanged in the context of legitimate business. I am not convinced that activities that are unethical in our context are always unethical in others, simply because of the way they are understood. But in some cases, bribes and similar practices are clear cases of the use of money to undermine the freedom of the market. In such a culture, it is really the rich who regulate the economy, perhaps behind the scenes. Although I will admit that I am not an expert on international business, I would argue that such a condition is far from ideal for the expansion of any business over the long run. I recognize that small businesses face the choice of either going along with the (corrupt) game or being driven out of that particular market. This raises a particularly difficult dilemma for those involved in small businesses. But those who wield more power, both in larger multinational corporations and in government, have no excuse. If their goal is to encourage free enterprise (and human good) they should lead the way in encouraging open, truthful and fair trade which fairly benefits the people involved – including the workers. In the long run, it is this type of policy which will build a culture in which both business and people can flourish.

Finally, business managers and executives are often frustrated by and critical of government regulation. “The government ought to stay out of business.” This protest is based on the conviction that business can operate more efficiently and effectively if it is not hampered by rules and regulations. Ever since Adam Smith introduced the doctrine of the “invisible hand” political philosophers favoring unhampered free enterprise have argued that the market, when allowed to operate freely, will improve the lives of all. Government interference, on this view, only causes problems. But in response, we might ask why governments establish regulations in the first place. Why, for example, do governments enact minimum wage laws, or sanitation laws, or labor safety laws? Do politicians sit around and try to think of ways to make life difficult for business? No. In fact, I would argue that all these types of regulations and many more have been enacted because businesses were managed in ways that exploited, endangered, or harmed others, either workers or consumers, rather than benefited them. Economic tides ebb and flow. In times when employment is scarce, laborers are desperate for work. In desperation people will “voluntarily” take on work, or even send their children to work, just to acquire enough money to live. If a business can buy out its competitors and provide a good that is essential, it can charge anything it wants, forcing an even worse situation for the workers. History makes it clear that these types of situations have arisen. The “invisible hand” has had little effect. When exploitative business activity has become the norm, men and women have demanded change. In extreme cases, such as Marxist revolutions, this change has been violent and extreme. But in many more cases, the change takes the form pressure on representatives to limit the freedom of business for the good of the people. When business exploits citizens, government – on behalf of the citizens – enacts regulation. If it doesn’t, the citizens demand it – either through revolution or electoral change of representation and leadership.

The argument I have made in this paper has significant implications concerning government regulation of business. First, if conditions reach the point at which business clearly benefits at the expense of others, then those who are harmed not only demand change, they have a right to it as well. The contract upon which business rests has been violated. Acting on behalf of all of the people, governmental bodies are justified in stepping in to regulate business, insuring that business is conducted truthfully and fairly and that the community is benefited, and not exploited, endangered or harmed by business. Although this may result in less efficient business, the results of non-regulation have too often shown that this inefficiency is the lesser of two evils. If this is true, then a second implication is close at hand. The best business, it would seem, is *ethical* business regulated by business executives and managers themselves. It may well be the case that business can operate most efficiently when government does not interfere. But government will, and should, interfere when business is conducted

in such a way that some members of the community are exploited or harmed. Thus, it should be the goal of managers and executives to see that deceptive and exploitive conditions do not occur. If leaders of businesses and corporations made it one of their objectives to improve the living conditions of those with whom they do business and those whom they employ, it is far less likely that the community will seek to regulate business activity. Thus while bad business sometimes forces a governmental body to enact legislation, ethical business will in fact make such legislation far less likely.

This leads us to the final implications of my argument for those who complain about government regulation. Ironically, the very individuals who detest government regulation are the ones who are most apt to argue that the sole purpose of business is to make money, and that managers work only for the stockholders. But if what I have argued is correct, these attitudes are the very reason government regulation becomes necessary. When the interests of individuals, whether these be managers, CEOs or stockholders, are confused with the purposes of business, then people are intentionally confused in order to be used. For people will (in general) not willingly enter into business unless they believe they will benefit from it. So to entice people to engage in business, managers who see their sole purpose as making money for themselves, or for the stockholders, will have to convince consumers that things are good for them that are not. In other words, business which does not seek the good of consumers will mislead them. And when people are systematically misled and exploited, eventually regulations will follow. Good business, which benefits both executives and workers, stockholders and consumers, should be the goal. It is when those with the authority to influence the policies and practices of business take this goal seriously that government regulations can be eased and the “invisible hand” allowed to work.

IV.

In closing, I return briefly to Plato. I began by recounting a passage from *The Republic* which I believe helps us to understand the nature and purpose of business. I do not claim that the view of ethics I defend in this paper is a Platonic one. I am aware that there are important differences between the points I have tried to make and the points Plato makes in *The Republic*. Plato is emphasizing, I believe, that a city in which the citizen all specialize (in the task for which they are best suited) and trade their goods and services will be a better, more just city. He does not emphasize that people should be allowed to do what they want to do. In fact, he would find this idea quite harmful to the good of the city. He is interested in the collective good of the city, not the good of the individuals. I, however, as a twenty-first century American philosopher, have interpreted Plato’s thought experiment in a much more individualistic way. I have talked as if the

city came together by individuals pursuing their own goals of improvement in life. I confess that I have some reservations about this emphasis on individual good. In fact, I wonder whether a more communitarian balance between individual good and common good is a more acceptable view. But for the sake of the argument here, I have taken a more individualistic perspective. This, I believe, makes the argument even stronger. Arguments for business rest on strongly individualistic assumptions. I have argued that even given these assumptions, it is the task of business to improve the lives of all those involved in business.

This raises a related point of contrast between Plato's view and mine. My argument here differs from Plato in its assumption that making the lives of individuals better and making the city better converge. In places Plato seems to suggest that he does not really care if his plan for the city benefits the individual citizens as long as it makes the city (as a whole) more just. I recognize that I have assumed, to the contrary, that improving the lives of the individuals in the city converges with the improvement of the goodness of the city as a whole. Or to put it another way, I have assumed that to seek the common good of the community is to seek the good of all of the individuals in that community. I find this assumption plausible, but I recognize the need to consider it more carefully and provide a defense. This task I will leave for another time or place.

Recognizing that my use of Plato is not Platonic, I nevertheless believe that Plato's thought experiment has helped us reach some important conclusions. First, if we assume an environment in which individuals freely enter into the practice of business, it seems the reason for which they usually do so is to improve their lives. Furthermore, I have argued that people would not enter into business exchange if they did not assume that all of the parties would act honestly and fairly and that they would be benefited. This assumption, I have argued, constitutes an implicit agreement upon which business is based. Good business is only possible in an environment where virtue is encouraged, and the good of all the parties involved is weighed fairly in the balance. Thus, far from being an oxymoron, "business ethics" points to the recognition that both ethics and business exist to make life better.