Episode 1,432: Finally, a Brilliant Pro-Market Business Ethics Book

Guest: Gary Chartier

WOODS: I am very, very interested in this book. I love this book. I love the way you've organized it. I love the array of topics that are in here. I love how humane it is, and I think you know what I mean by that. It really is aimed at human flourishing and particularly in this aspect of our lives. But I want to start off with something that I learned, I think talking to Nick Capaldi, who at least for a while taught business ethics at Loyola University in New Orleans. And, I think it was him, he was suggesting to me that when you look at the typical business ethics textbook, there is in general a strong bias in it. Now, first of all, have you encountered such a bias, and secondly, what is that bias?

CHARTIER: So I want to be careful about this, because there are lots of business ethics texts out there that I certainly haven't looked at. But if I had to guess, I would say that business ethics professors, like humanities academics more generally, probably are pretty comfortable with the social democratic consensus that obtains in a lot of American academia. So I would guess that that would tend to be reflected in a lot of the texts that students might encounter.

WOODS: Right, okay. All right, now, your book is taking the idea of living a good life in the market as being a subset of living a good life more generally, and you try to describe in brief what that looks like. So let's start there. What does it look like to be living a good life? And given that I think a lot of people in this day and age recoil from the idea that there might be certain basic principles for living a good life, you're not saying that there's only one way to live. That's a very different claim from saying that there is a way to think about what it means to live a good life.

CHARTIER: That's absolutely right. I really believe that recognizing and celebrating the variety of human lives is entirely compatible with recognizing, at the same time, that there are ways of living that work, just as there are ways of living that don't work. And so like most of the rest of my stuff, this book really is rooted in the Thomist, Aristotelian, kind of natural law tradition, though I've tried to express that in a way that I hope isn't unduly ponderous and doesn't get in the way of people's understanding of the approach.

So what I try to do in the book, in the first two chapters, is to talk about, first of all, different ways in which a life can go well and thinking about friendship and aesthetic experience and knowledge and all the other things that might go into potentially a life that we might want not just for ourselves, but for the people we care about. And so then, in the second chapter, I'm interested in how we might choose with respect to those various ways of living well. And so I suggest that there are some principles there, including what I call recognition, which is just acknowledging that there are specific ways in which things can go well and choosing with

those in mind; fairness, just not making arbitrary distinctions among those who are affected by one's actions; respect, not choosing to injure oneself or others; efficiently, pretty straightforwardly not unnecessarily wasting in one's pursuit of various goals; and then commitment, organizing one's life by making commitments that provide some structure and order and kind of hierarchy for the different values that one pursues. Because my view is that, while there are these many different ways in which a life can go well, obviously, any given life isn't necessarily going to include all of those, and isn't going to include all of those in the same weight.

So I mean, I very much disagree with the people for whom balance is everything. I think it's entirely okay to be really enthusiastic and passionate about some things and to sideline others. As long as you don't somehow pretend that those other things aren't valuable and actively attack them in your own life or other people's lives, it's perfectly okay to focus on some things. And so a good life, I think, very often will be a life that's focused on particular goods in light of those different principles that I lay out.

WOODS: Now, given that you have a lot of specific topics, I'm of course going to address some of those specific ones, but speaking generally, how would you try to situate people in the problem of understanding how it's possible to lead a good life in the market? I think people think of the marketplace as being something amoral, as being a place not really where — that human flourishing comes once you punch the clock and go home. That's when real life is lived, and the work you do is a necessary evil. I don't think people a lot of times think of it as an arena in which human flourishing is meant to continue. So what does it look like in the market?

CHARTIER: Yeah, so I believe really strongly that, at least in principle — obviously, you recognize there are there are distorted and toxic environments within the market that may complicate things, but at least in principle, it seems to me that markets provide all kinds of opportunities for human flourishing. People can develop their various skills and their creativity. They can build relationships that matter. And of course, at the same time, they can contribute indirectly to flourishing. So even as I say that it matters that flourishing really does happen on an ongoing basis in the marketplace, obviously, what happens in the marketplace also supports flourishing outside of the marketplace. I don't want it at all to say, as the stereotypical person you envisioned might say, *Oh, well, that's the only time good things happen. Work is a necessary evil*. Not at all. I think great things happen by way of skill and creativity and relationship, aesthetic experience, and so forth in the marketplace, and at the same time, the marketplace supports various kinds of flourishing that occur outside work as well.

WOODS: Now, let's talk about your section on property. Property, I think to some people, sounds like — if you're trying to vindicate the rights of property, this sounds to them like privilege, or this sounds to them like greed and selfishness. And you've got a description of the functions of property that, again, I think the word is humane, where I think you're helping people to think about it in ways they haven't before.

CHARTIER: Yes, thank you, Tom. I mean, what I'm trying to do is to spell out what I think is broadly, again, a natural law view of property. But the natural law tradition has I think sometimes seen property as important, but as nonetheless in a fairly loosey-goosey way conventional, so that I think for many natural law thinkers, it's been relatively okay for state authorities to interfere willy-nilly with property. What I tried to do is to show that the more

you take seriously the different ways in which a scheme of property rights can hang together, and the more you recognize how such a scheme can support human flourishing, the more constraints there are on what's going to count as a reasonable property system.

And so I want to look at everything from the way in which a property system fosters autonomy, to the way in which it contributes to relationships, to the way in which it in one way or another can help people express creativity and maintain social norms, a whole range of different things, 20-odd different characteristics that I want to reference. And the idea then is that once we start to see that as embodied creatures, we've got to make decisions about property and that once we recognize that it's particular people who flourish, there really are reasons then for a system of private, or as Hayek would have said, several property, and we recognize that the more of these constraints we recognize, the more that these ways in which a property system can contribute to flourishing we recognize, the more we see that there's there are limits on what's going to count as a good property system.

And so I try to suggest — and I don't claim this is particularly original. This sort of model goes back to David Hume, and you find it in people like Anthony de Jasay and Randy Barnett. But I want to suggest that we look at these different aspects of flourishing that a property system serves, and in light of those, we can see that there's perhaps not a perfect case, but there's at least a good case for what I suggest are three basic, or as I like to say, baseline property rules. These are what I call effective possession, free exchange, and exclusive control. And the idea is that effective possession says: look, when something is unowned, then you can establish ownership over it by taking effective possession. That's I think perhaps a less metaphysical way of talking about much the same thing that Locke has in mind when talking about mixing labor. The second rule then is that once you've got something, you're free to give it away or exchange it at your discretion. And then exclusive control says: why do you have it? You're the one who gets to make decisions about it.

So we can imagine more complicated property rules, but I think that simplicity, actually, and reliability are among the really important characteristics of a good property system. And that's why I argue that we should presume these fairly simple, straightforward property rules that, in different ways, further autonomy, creativity, relationship, and so forth.

WOODS: Now, you do have a section on wealth, it's true, but couldn't somebody come back at you on that property thing and say that: why doesn't the need of others enter into and circumscribe your rights to property?

CHARTIER: So that's I think an important consideration, and indeed, I want to argue, of course, in the book, as I think certainly the Aristotelian, Thomist tradition has consistently maintained, that philanthropic generosity, that giving to others, including those certainly who are insignificant material needs, is part of living a good life. It's part of what being a good person means. And it is, therefore, ethically significant and not ethically optional. But whether the *system* should be structured in such a way that the legal authorities or the state or whoever should be able to interfere willy-nilly with people's property in order to address the kinds of needs you're talking about is a different matter.

And what I'd like to argue is that at the systemic level, we're all better off societal well-being — I'm not suggesting there is some thing called society that has well-being, but widely shared prosperity is fostered when there are these simple, reliable rules that aren't interfered with. And so it seems to me that the concern that you note is a legitimate one, but I think very

often somebody who highlights that kind of concern has in mind a particular case and wonders about making an exception in that case, rather than taking a step back and asking what the systemic effects would be if ongoing, unpredictable, meddling in property relations were possible. So I think you get very different results when the issues of human need that you rightly highlight are addressed by individuals and by voluntary institutions that operate within the confidence that people have in that reliable system of background property rights.

WOODS: All right, now, obviously you're right about what you say about being generous as being part of living a good life. I want to build on that by asking you about a topic that I don't think you mention by using the term "corporate social responsibility," but of course, that's been — I mean, I'm not in business ethics, so I don't know if that's still in fashion or not, but I know it was for a long time.

CHARTIER: Yes.

WOODS: And in your sections on, let's see, generosity, and then I also found a bit of it in your section on purpose, there is some discussion about what we might call organizational generosity. So the firm, let's say, makes charitable contributions or whatever. And it calls to my what Milton Friedman said about this, which was that the firm exists to make profits, period. That's why it's there. Once it makes the profits, you can do what you want to with the profits, but that's what it exists for. It is not a welfare institution. It's not a philanthropic organization. What's your view of that?

CHARTIER: So I think that's complicated, and I think you rightly note that I kind of wrestle with that without maybe really coming to a really definitive conclusion. So I think, obviously, a shareholder might reasonably object if he or she is ill served by corporate generosity. And so I think that's something to be reasonably concerned about on the part of the shareholder, on the part of the corporation. On the other hand, I don't think we can say in the abstract what, quote, "the purpose" of a business is, because I think different participants, different executives, different line workers, different investors bring different expectations and different commitments to their participation in the life of business. And I think it is, indeed, part of the culture of some businesses and something, therefore, that investors surely recognize when they invest in those businesses, that there is some kind of connection that those businesses have with particular charities and with particular communities.

Now, Friedman obviously recognizes that it may well be in one way or another directly beneficial for the organization to engage in charitable activities, that may it may help to brand the organization or it may in one way or another refine corporate capacities. You might engage in a charitable activity that turns out to build your competencies in other areas. And I think all of those would pretty directly feed the bottom line, and I don't think Friedman had much of an objection to that. But I want to say, if a firm does, in fact, go beyond that, sometimes maybe investors would have reason to object that their resources are being misused. Sometimes, however, they might well recognize that they've invested in a firm with a particular set of commitments and a particular corporate culture, and they might recognize that that's very much part of what it is to support that firm. So I don't think there's a general observation that I can make about what all firms ought to do in those cases, and I don't want to be dismissive of the concerns Friedman's got. I do think there are going to be cases that indeed might look a little different.

WOODS: Let's talk about some issues that people — and here we're using the term in the correct scientific sense — people known as left-libertarians would have special concerns about, namely, the conditions in which some laborers find themselves in some employment situations. Because on the one hand, you could make a case that, well, they entered into a voluntary contract, and if that means they are subject to drug testing and having their social media snooped into and all that, well, that's so much the worse for them because they agreed to it. But my sense is that the left-libertarian argument has to do with: well, contract or not, in the same way that I'm perfectly at liberty to be critical of a firm's decision on some choice they've made and still be a libertarian in good standing, you could likewise say, I think it's a really crummy for a company to do that and treat its workers like chattel. So what are your considerations here in a textbook on business ethics when it comes to the treatment of workers in cases like that?

CHARTIER: Yeah, thanks, Tom. I think that's something that matters a good deal to me and that I try to handle in a couple of different places in the book, particularly in the chapter on privacy and the chapter on firm organization. So I certainly recognize that in a genuinely open market, there will be a variety of employment arrangements on offer, and I don't suppose that there's one such arrangement that's going to make sense economically, and I don't suppose there's one such arrangement that's going to make sense ethically.

But I do think that it's important to recognize that, especially as we spend in many cases more and more time and energy in our workplaces, as those workplaces play really crucial roles in our lives, that it would be important for supervisors and employers to ask the question: just how much they would be comfortable seeing their autonomy compromised in the workplace. And so, again, there are very specific considerations that are relevant in particular cases. So if I'm driving an 18-wheeler, it might be really quite important to make sure that I'm not intoxicated. All sorts of liability issues there could arise, and it doesn't seem at all unreasonable to be concerned about that. On the other hand, if I'm an accountant and I happen to smoke some wacky tobacky in my off hours, it's not really clear that I'm going to be putting my employer at risk.

Now, again, very specific circumstances have to be taken into account, which is why I don't believe that I can ever in this book or elsewhere offer some code that everybody's got to take seriously. But I think we do value our autonomy, and we recognize, as you say, that just because somebody has the right to do something and we can agree that that person should have the right to do whatever it is, it doesn't follow that it's necessarily wise or helpful or appropriate or reasonable. And so I think it's a good thing that we're in a culture that no longer imposes criminal penalties for people who cheat on their spouses. That doesn't mean any of us want to be cheated on by our spouses and regard that as morally acceptable.

And so I think in the same way, it's reasonable to say that contracts should certainly be able to, in principle, embody a variety of principles for workplace relationships, but most of us, at least I think, would prefer to function in workplaces in which our capacity to make decisions, our autonomy, our dignity, were affirmed and respected. And so I'd like to see that happen as much as possible. I think anybody who cares about freedom from physical coercion cares about freedom from the state and recognizes that that's especially important and it matters before anything else, that such a person might nonetheless I think not really like to be to be pushed around so much. And so yeah, I would prefer to see a workplace culture in which there were as much autonomy as possible.

WOODS: As long as I have you, let me go on a brief digression about this, because I'm not really sure I totally understand it, but I get the feeling, reading some — and I will admit, not actually in the literature, but just reading offhand comments on social media — among some left-libertarians — and here I'm not talking about people who have certain left-wing cultural commitments. We're talking about the people who look at capitalism a certain way and, in fact, don't even care for the term "capitalism." Is there any problem that you are they have with the wage relation in principle? Is it that you would want, ideally, worker-owned firms so the workers aren't in that kind of situation vis-a-vis an employer? Or can you imagine a wage relation that would be just it as long as it's humane? Or how do you answer that?

CHARTIER: Yeah, and I think this will be apparent from what I have to say in the book. I don't have, just in principle, a kind of normative objection to the employment relation. I don't think that's somehow inherently evil. I think there are probably some people who do think that, and certainly some of those people deserve to be taken seriously. I think David Ellerman has posed a bunch of interesting questions there that need to be addressed. But that's not my view. I think that you can perfectly well have an employment relationship that's perfectly okay morally.

I think that the very fine Austrian economist David Pacheco has written over the years a number of interesting things about the way in which Austrians and other free market folks might think about worker-managed firms, and I think Dave makes a good case that there's something attractive there. But I also recognize that there are risks and liabilities associated with taking the kind of financial responsibility that you often do in a worker-managed firm, that there really are attractive alternatives that don't involve taking the same kind of risk when you instead enter an employment relation. I don't want to trivialize that at all. So I'm not opposed in principle to employment for wages; I just think that a variety of options would be good. And even in a kind of conventional employment setting, I think it's a good thing — and I try to suggest not just for the worker, but for the firm — when employee dignity and autonomy are taken seriously.

WOODS: I want to talk about boycotts for a minute. You have a section on boycotts, and a lot of times we'll hear people like us who are anarchists say that civil society will often take care of particularly egregious actors through voluntary means, like boycotts. But I'm wondering about the circumstances in which a boycott is called for. I mean, obviously, there's no blanket answer to that, because it depends on your individual conscience. But what concerns me is that the — I'm sure that most of the companies I interact with are making donations to causes I can't stand. That's probably true. But I don't want to spend my life looking this stuff up, because I feel like that is the invasion of politics into every nook and cranny of our existence.

CHARTIER: I agree.

WOODS: And so we even when I'm told I should boycott X, my instinct, I have to say, 99% of the time is I don't want to boycott X, because once I boycott X, then I have to boycott Y, Z, and all the rest of them. And then what kind of life is this? At some point, you just have to engage in the normal activities of commercial society and live the best life you can and leave it to them. They can answer to their maker how they donated their money, but I can't devote my life to that. I have other priorities.

CHARTIER: Yeah, so tried to discuss in the boycotts section three distinct issues: so when is a boycott permissible, when is a boycott required, when is a boycott precluded? And just to try

to address or each of those fairly quickly, I think, clearly, we can imagine a case in which a boycott is just in principle unreasonable, either because it's undertaken out of bad motives, out of some kind of hostility, or in which it just turns out — I think an individual breakout will rarely play this role — turns out to impose costs on others that one wouldn't be willing to shoulder oneself. I think a boycott is going to be required in a very narrow range of cases, and the only kind of case I think in which a boycott is going to be required will be I think, again, either if doing business with a given trading partner necessarily involves — and I can't actually imagine a case in which this would be true — necessarily involves sharing all of the purposes of that trading partner and that trading partner has bad purposes, or in which the consequences of one's actions impose costs on others that, again, one wouldn't be willing to accept for oneself or one's loved ones.

So in the vast majority of the cases, I think a boycott is going to be a permissible kind of protest. If one wants to engage in that, it's going to be an expressive or symbolic act. It's almost certainly not going in most cases to change the behavior of the boycotted entity. And I think we engage in all sorts of expressive activities over time. We certainly can't expect ourselves or others to either celebrate or protest all the things that might be worth celebrating or protesting. And so I think in general, that's just kind of up to us, except in the narrow range of cases in which it's just, in principle, unreasonable to engage in a boycott, so it's just ruled out, or we find that it actually would be required. But again, I think the required changes are few and far between.

WOODS: Let's say one more thing. There are so many topics I could have chosen, but advertising I like, because this is a topic where even a lot of libertarians you'll find are turned off by advertising, or they think there's something kind of underhanded about it, or you get this complaint from some people that advertising simply manipulates consumers into wanting whatever is for sale. But of course, then why would you bother doing marketing research on any product, if all you have to do is hypnotize people with an ad? Obviously, it's not quite that easy. But at the same time, even though we might recognize the value of advertising, and I'd like to get from you what you think the value of advertising is, this is a book on business ethics, and presumably, there are some forms of advertising that, if you want to lead a good life, you ought not to engage in. So what are your reflections on this?

CHARTIER: Yeah, so I think that advertising can provide useful information to consumers about product availability, and also probably just help to give some products particular meanings in the marketplace by associating them with particular branding strategies. And I think those are perfectly okay. I think that ads can entertain us; I think ads can just draw our attention in the first place to products we wouldn't be aware of otherwise, and I think that's certainly worthwhile. And ads can even — though this is perhaps a bit of a stretch, but I try to suggest it anyway in the book — ads can sometimes help to kind of build communities in particular consumers who share appreciation for particular products understood particular way. So all of that I think is just fine and really can be very useful.

I think that where advertising goes off the rails, really, probably, is primarily when really it's just deceptive. And it's tough to maintain a genuinely deceptive ad, especially in today's social media environment, in which there's going to be a lot of review, a lot of critique there. Or also, I suppose we can imagine cases in which an ad isn't deceptive, but in one way or another, it's manipulative in which the content of the ad is factually correct, but in which the advertiser is aware that it will likely be misunderstood to the detriment of the consumer. And

I think being purposefully manipulative falls in roughly the same category as being purposely deceptive, and I'm not a fan of that.

I don't think that, of course, this is the kind of thing that requires some kind of involvement by the legal system. I guess there might be extreme cases where you really did reach the level of fraud. But absent that, I'm certainly not thinking about legal liability there. I think, increasingly, in a culture in which, again with social media, we have the ability to share this information broadly and talk about it readily amongst ourselves, those kinds of bad behaviors, I think, will be pretty quickly challenged.

But I think that, across the board, there are lots of lots of things that really are quite useful about advertising, and I certainly don't want to just be dismissive at all. I think ads can serve quite useful purposes, and I'm glad we have them.

WOODS: Well, the book is *A Good Life in the Market: An Introduction to Business Ethics*, by Gary Chartier. Gary, it's a beautiful book. It's an affordable book, thank goodness, thanks to the American Institute for Economic Research. So I'll link to it at TomWoods.com/1432. I urge people to pick up a copy and read it. And thank you very much, Gary, for your time.

CHARTIER: Pleasure to be here, Tom.