

## **Business Schools, Economic Virtues and Christian Theology**

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### *Introduction*

The global financial crisis has brought into sharp relief a sense of unease about what is and isn't taught in the business school curriculum and whether it has in some way contributed to financial and moral crisis of the global economy (Rubin and Dierdorff, 2013). Indeed for some time business schools have been criticized for teaching too blind a faith in pseudo-scientific economic analysis - an over-emphasis on the "objective" analysis of market forces and the deterministic interpretation of economic and financial data. It is certainly the case that much of what business schools teach is rooted in the methodology of economics, exemplified in the emphasis on core economic principles, and their application to the teaching of financial economics, international business analysis, marketing, and to the analysis of business strategy. Business schools typically contain faculty drawn from a range of disciplinary backgrounds, notably sociology and psychology, as well as from economics. However, scratch the surface and economics-educated academics are to be found teaching across the curriculum.

Students are traditionally taught that economics is a "positive" subject. In other words economic analysis is presumed to provide a non-normative technical toolkit for understanding how prices and quantities arise and their relationship to business profits and performance. Economics is in essence a modernist subject, a product of the Enlightenment project to free the individual from higher moral authority or external teleology. It retains very firmly, however, its own meta-narrative, derived from the notion of rational economic individual.

The absence of an external teleology in economic analysis is highly problematic, and this chapter explores this point from the perspective of Christian theology. This absence confines the subject to the consideration of economic activity which seeks only to further private well-being, focusing on individual rationality. It skews the focus onto outcomes rather than the quality of the behaviour or decisions that might lead to those outcomes. This bias is potentially toxic for the education of business professionals. At best these considerations are based on an incomplete understanding of rationality as reasoning. At worst they are based on an understanding of rationality that is circular and devoid of content. Rational behaviour is that which furthers personal satisfaction (although this need not equate to pure egoism), rather than any higher purpose.

However, the unanswered questions here on the tension between rational and virtuous behaviour are hardly new ones. In the contemporary world, as individuals, businesses and governments grapple with present economic and financial uncertainties, the question of how economic decision-makers should behave is never far from the surface. And yet contemporary economics seems ill-equipped to provide answers to what virtuous business behaviour might look like. Instead normative economic reasoning remains stuck in the sphere of “because we observe Y and X is related to Y, this individual/business/government ought to do this to X” (and by implication doing “this” would be virtuous). This is perhaps all the more surprising since within the closely related field of academic enquiry in management decision making, questions of what constitutes a good or bad decision making process (in an ethical sense) have come to the fore. To extend this normative enquiry into teleological considerations is to ask the question “for what purpose should my economic behaviour be directed”.

In this chapter the implicit conception of virtue within neoclassical economics is explored, alongside the limited and contradictory nature of that understanding. The impact of this on the business school curriculum is sketched. The role for virtue in the development of a Christian theological perspective on economic thinking is explored, and a plea given in favour of the reinstatement of a clear emphasis on personal responsibility and virtue in the curriculum as a means to restore a stronger teleological understanding of the purpose of economic and business activity.

### *“Positive” economic analysis and the fiction of homo oeconomicus*

The academic discipline of economics is an Enlightenment project. It sought to reconstruct a “rationalist” understanding of human nature on the basis of abandoning any sense of higher moral order in favour of human nature “as is”. In his seminal re-evaluation of moral philosophy, Alasdair MacIntyre describes this project as a rejection of classical theological and philosophical perspectives on human *telos*. What remains in economics is a set of principles for behaviour deprived of teleological context, with the result that the subject *ab initio* existed in a state of tension (MacIntyre, 1981). Economic analysis might also be regarded as highly ahistorical – economic decision-makers arrive as Lockian *tabulae rasa* and reason for themselves without recourse to past wisdom or narrative (O’Donovan, 1994).

### *Utilitarianism and the Wrong Telos*

Modern economics, having arisen alongside the Enlightenment abandonment of belief in created moral order and purpose, has readily found an alternative teleology in 19<sup>th</sup> century utilitarianism. It retained, albeit in diluted form, the Aristotelian notion of *eudaimonia* (human satisfaction or flourishing) but abandoned any higher purpose for achieving it. It also retained the Stoic faith in the harmony of nature, re-interpreted as the idea that markets will tend towards equilibrium fuelled by the invisible hand (Sedlacek, 2011). Utilitarianism is, of itself, thoroughly teleological and becomes the standard *per se* through which economic actions and outcomes are assessed as just or not. However it is also consequentialist, and can admit no external deontological considerations of the rightness or otherwise of human action. This is regardless of whether those considerations originate from higher ontological considerations of human existence, or from a Kantian moral reasoning independent from reference to higher moral order. Put simply, from a Christian theological perspective economics is pursuing the wrong *telos*.

In these respects, economics contrasts sharply with other non-economic social sciences usually represented amongst other business school faculty. In these, greater emphasis is placed on inductive thinking – the formulation of provisional hypotheses subjected to evaluation using a range of quantitative and qualitative research methods. The understanding of human-nature-as-it-is in (neo)classical economics found expression in the “rational” individual seeking personal satisfaction in the here and now (or looking into the future, suitably discounted). *Homo oeconomicus* is, in essence, the embodiment of these principles.

### *The “virtue” of self-interest in the world of neoclassical economics*

The economist’s defence of self-interest appears to be twofold. Firstly, self-seeking behaviour (regardless of questions of virtue) is a reasonable description of human behaviour, *as is*. Employing the characterisation of *homo oeconomicus* need not imply moral assent with all observed economic behaviour. Secondly rational economic behaviour need not imply pure egoism. Whether this permits genuinely altruistic behaviour is, however, an open question. So, the most that can be said is that rational choice is revealed by *ex post* preferences, which in turn are deemed to be rational, providing they remain consistent and independent of the choices of others. In a strict sense, for the economist, virtuous behaviour is behaviour that satisfies the axioms of neoclassical consumer preference theory, since that will, by construction, result in the greatest good for the greatest number.

Some recent authors, most notably McCloskey (2006), have argued persuasively that market-based capitalist economies can be regarded as promoting virtuous behaviour, in the Aristotelian sense

that this promotes *eudaimonia*. The argument that self-interest (not necessarily the same as selfishness) is virtuous has resonance. The “private vice” of self-interested behaviour is virtuous because, through the mechanism of the Smithian “invisible hand”, such behaviour promotes the “public virtue” of the common good. A failure to act in a manner consistent with a focus on outcome could result in misallocation of economic resources. Productive and financial inefficiencies follow because resources are not allocated by business decision-makers to their best, that is, most profitable use. Prices for some goods are higher than they would otherwise be, and the concomitant reduction in output leads to under-employment of productive capacity, perhaps particularly labour and skills. The “virtuous” pursuit of self-interest by economic agents will correct such misallocations and propel the economy back towards optimality.

Self-interest dictates that if a profitable opportunity arises it should be taken. Such opportunities stimulate entrepreneurial “virtue” to compete for profit. Schumpeter’s “perennial gale of creative destruction” describes the creative and innovative paradox of the entrepreneurial process. This is well understood in business schools, and the recent development of courses on entrepreneurship often takes this important observation as a starting point. On the other hand the persistence of market power, and failure of the entrepreneurial process, is usually attributed to the existence of some barrier to market entry, justifying a rationale for beneficial regulatory intervention. Where private and social costs and benefits diverge, the power of self-interest to promote the greater good is weakened. “Virtuous” self-interest pursued in ignorance (wilful or otherwise) of the costs imposed on others can result in externalities such as ecological damage or over-consumption of non-rival resources. Economists discuss the problem of “moral hazard”, aptly named since it arises from an incentive to behave in a less than virtuous manner, whether it be behaving recklessly after buying insurance, or failing to account adequately for risk in a financial market transaction. I may have no legal or economic incentive to advise you of the inherent riskiness in some cleverly constructed new financial instrument that I am trying to sell; however I may feel that I have a moral obligation to tell the truth. One might hope that a business school education would not miss this latter point. Without recourse to additional material on the ethics of business practice, an economics-focused business curriculum would however falter.

### *Virtue or pleonoxia?*

The Enlightenment philosophy of classical economics might be regarded as trying, in some sense, to cling to an Aristotelian basis for human action. Indeed Sedlacek (2011) considers economic thought to have begun with Aristotle, since he may be considered to be the first ancient philosopher to have focused attention on issues such as productive and unproductive activity, and the sources of market failure outlined above. For Aristotle the economic problem was that of optimising good. The

issues here are in defining “good”, and in deciding what is optimal. The optimum is not the maximum but a behavioural “mean” tempered by virtues such as temperance and continence (moderation). But by reinterpreting Aristotelian *eudaimonia* as the utilitarian notion of “greatest good (utility) for the greatest number”, and, by switching the objective from optimisation to maximisation, neoclassical economic analysis from the later 19<sup>th</sup> century onwards has in effect abandoned questions of the quality of behaviour or actions that might lead to human wellbeing. Thus, in effect, it discarded any useful conception of what is virtuous, in favour of a sole focus on consequence.

#### *Post-Enlightenment Rationalism in Social Science*

At the heart of Macintyre’s (1981) re-evaluation of virtue is a trenchant criticism of the philosophy of contemporary social science, implicit in the business school curriculum. Can post-enlightenment thinking construct rational predictions of the behaviour of economies and organizations in a moral vacuum, and from those infer programmes of efficient management? Macintyre argues that human action is inherently unpredictable, and therefore not susceptible to rational calculation. However, contemporary economic analysis has developed sophisticated conceptual and analytical tools to deal with uncertainty, allowing theoretical advancement and practical modelling solutions. These tools lie behind many of the sophisticated financial instruments whose flaws were exposed so starkly in the sub-prime crisis that pre-empted the current global crisis. The same tools are taught without significant critique in the finance curricula of many business schools. However, they remain inherently flawed in a moral philosophical sense because they remain wedded to an underlying deterministic-consequentialist view of the world. The key issue is that a rationalist approach to economic management seems destined to fail because it ignores this unpredictability. The modern social and political world is hostile to considerations of virtue, and creates intractable disagreement about how to act, because the incommensurability of different positions cannot be rationally resolved.

There is an inclination in modern economics towards extending market-orientated consequentialist thinking into an ever-widening range of human activity and experience (Levitt and Dubner, 2005). Recent developments in behavioural economics, integrating insights from psychology and behavioural science are arguably more enriching for the subject (Kahneman, 2011). Nevertheless such developments can be seen as a marginalization of Aristotelian “practices” (sport, art, music, academic inquiry etc.), and therefore the goods that are internal to them, in favour of external goods such as money and status. Those educated for employment in business organizations are implicitly advised that education becomes the means to external goods rather than a practice involving the

exercise of virtues in pursuit on internal goods - personal fulfilment, knowledge, skills. Being engaged in business activity for wider social or creative purpose becomes downplayed in a curriculum which risks undermining virtue in favour of *pleonexia* (that is, greed or covetousness). Yet surveys of new business founders generally show that motives are as often as not intrinsic rather than financial. The case is therefore made to return to teaching a more prescriptive analysis of economic behaviour, which addresses the important question of how to behave. Once discussion in the classroom advances beyond the “to what end” question, towards the “how” question then the reintegration of virtue in understanding economic behaviour becomes possible. But the next question is what sort of virtue?

### *A Christian reflection on virtue and economics*

Aristotle’s conception of happiness is as a state of self-sufficiency that protects against the vicissitudes of the world. In the Aristotelian world virtues are the form of happiness – not the means to happiness (Hauerwas and Pinches, 1997). The happy person is a virtuous one, not merely the one who pursues virtuous behaviour, and certainly not one who is satisfied in a utilitarian sense. Contemporary discussion of economics for a Christian theological perspective is often not explicit on virtue. Nevertheless, that discussion has not ignored important questions of how economic agents ought to behave (for example NCCB, 1986; Richardson, 1988; Hay, 2001). Some argue that “bourgeois” economic virtues of wealth creation and personal economic responsibility are to be commended (McCloskey, 2006). However, individuals may not earn salvation by virtuous economic behaviour; they fulfil a calling to Christ-likeness by seeking the Kingdom of God in economic and social life. The implications for the understanding of economic activity and behaviour here are twofold. The first is the need to affirm that the economic activity falls within the realm of the Kingdom of God, a Kingdom that is both an eschatological hope and an ontological reality. The second is that the Christian transformation of character applies to economic behaviour as much as to any other form of human behaviour. Economists-as-Christians should seek to understand underlying moral order, and frame economics in terms of “how should one live” rather than “how do economic agents behave”.

### *A Christian Telos*

Whilst theologians might not necessarily dismiss psychological happiness as a desirable human state, their understanding of how it might be achieved is profoundly different. Christian fulfilment comes from knowledge of Jesus Christ, formation of a Christian life in response to His love for humankind through the power of the Holy Spirit, and in the eschatological hope sealed in the Resurrection. Therefore an understanding of virtue from a Christian perspective must stem from that *telos* (Wright, 2010). As O'Donovan (1994) makes plain, there can be no Christian understanding of ethics apart from the created moral order in the universe, from creation to redemption. The early Church held a clear sense of the vision of a future and yet present kingdom implied by this understanding of Christian *telos*. The Christian truth of the resurrection is integral to this *telos*. Creation has created order and coherence – the resurrection of Christ draws attention to the future redemption of that creation order (O'Donovan, 1986, p. 31). Order is both description and end, 'generic' and 'teleological'. Thus it might be argued that the end of economic activity is to further the moral purpose of God in bringing forward the Kingdom of God. So a more limited Aristotelian conception in which teleological ordering is a purely natural ordering is insufficient – a point understood by the Scholastic theologians, notably Thomas Aquinas. For Aquinas, the rediscovery of Aristotle's focus on the external world, combined with a distinctive Christian focus, shifted emphasis from the purely spiritual world to that of creation – a creation that, while still in bondage to sin, was created good and will ultimately be restored to that goodness. Those who enjoy that creation, even in its current imperfection, experience the common grace of the Creator. If a good God created *ex nihilo*, then the material world too must be good – in the words of Tomas Sedlacek in his recent survey: "worth dealing with, worth improving and worth addressing" (Sedlacek, 2011, p. 157). Crucially the economic world is part of that created moral order, and it too is part of this *telos*. A Christian re-construction or re-interpretation of economics must begin from this point.

What aspects of Christian virtue have particular salience for economic behaviour and activity? The Scholastics, notably Aquinas, tabulate the virtues as if to present an exhaustive list. The New Testament material seems not to imply this, but rather focuses on the transformation of Christian character. However, there is a parallel with Aristotle's view that the virtues are to be practiced, and that it is only through repeated exercise that they become inherent to individual character.<sup>1</sup> For business schools, this has implications at least as much for pedagogy as for curriculum content – don't try to teach an ethical taxonomy, but rather seek to transform the moral character of present and future business leaders.

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<sup>1</sup> See 1Corinthians 9.25, Ephesians 6.4, 1 Timothy 4.8 and 2 Timothy 3.16.

Economics specifically in the curriculum requires a focus on the Christian task of the bringing forward of the future reality of resurrected creation into the present *kairos*, through specific attention to the “sub-task” of modelling the economic aspects of the future Kingdom. What will characterise that Kingdom? It might promote an economy of care and responsibility, an economy of creativity, and an economy where actions as well as outcomes are just (deontology and teleology). Certainly this is likely to entail a full range of virtues, as described in the various taxonomies in the New Testament, particularly Pauline, material.<sup>2</sup> And, as such, the principles underlying this economy are likely to stand in stark contrast to those that underpin modern neoclassical economic analysis, with its “internal” teleology and absence of deontology.

However, despite this assertion, critics may counter that it is hopelessly utopian to expect virtuous behaviour to arise on a voluntary basis, simply on the basis exhortation from the front of the lecture theatre. The various writers of the New Testament epistles do not appear to think so. On the other hand is the post-Enlightenment economic project unrealistically pessimistic in anticipating that all economic behaviour is motivated by self-interest? Economists are frequently criticised for creating around themselves an aura of intellectual superiority that admits limited engagement with other methodological and philosophical perspectives. The study of economics is also criticised for inculcating within its students a self-interested mind-set that undermines altruistic values and co-operative behaviour (Frank et al., 1993). There may be something in this, and therefore a challenge for business school faculty to address.

But, while the development of virtuous character in the conduct of business may indicate the operation of common grace in the world, is it realistic to seek to encourage a framework for virtue based on the eschatological hope of the Kingdom of God in the modern multicultural world? There is often reluctance to argue an explicitly Christian theological basis for particular courses of action or policies. It is, however, possible here to appeal to an Aristotelian basis for ethics. In the field of business ethics this is often done – concepts of virtue and common good are attractive to those seeking a strong sense of personal responsibility in business affairs, in preference to some blander notion of corporate social responsibility informed by “enlightened corporate self-interest”. The challenge for business schools is to ensure that such considerations are fully integrated into the core curriculum, and not marginalised as an alternative “critical perspective”. There is also a tendency to translate the curriculum of corporate social responsibility into too much of an organizational perspective, emphasising notions of social responsibility as strategy, with insufficient attention given to the thornier question of personal business integrity.

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<sup>2</sup> See specifically 1 Corinthians 13, Colossians 3, Galatians 5 and the avoidance of the “vices” in Ephesians 4 and Colossians 3.



*Alasdair Macintyre on “practices”*

Those higher goods, which Macintyre calls “practices”, define human relationships with others, including economic endeavour designed to meet the needs of others (Macintyre, 1982). Because practices are in essence relational then so is virtue. A simple reflection on the transitive nature of virtuous behaviour illustrates this: “honesty towards whom?”, “justice for whom?” “care of whom”? etc. Professional communities of practice often situate learning on the basis of historical experience and storytelling. They function on the basis of a shared appreciation of virtues such as trust, honesty, fairness and integrity. While such communities are commonly recognised amongst professional groups, more recently such communities have been seen to function as learning arena amongst groups which exist for more straightforward economic purpose – such as small businesses. Economic analyses, which fail to take account of the temporal dynamics of human relationships, and the manner in which virtue may develop through those relationships, will be partial and incomplete. They will fail to recognise that the *telos* of economic activity that may emerge could be very different from that deduced from the ahistorical, utilitarian orthodox model.

It is difficult to be exhaustive and precise on the question of what specific virtues might underpin a Christian perspective on good behaviour in business. Different classifications of virtue may miss the point that Christian virtue is about “training in righteousness” (1 Tim 3.16). However virtues such as trust (viz. faithfulness), honesty, creativity, stewardship (viz. temperance), and forbearance to exploit others (viz. self-control) can all be commended to those studying the conduct of economic and commercial affairs. Undoubtedly, however, a key economic virtue is justice. However justice is a word that seems rather to make an appearance in business school course material, despite having obvious resonance for the manner in which the business leader might engage with employees, competitors, suppliers and other stakeholders.

To choose to be ethical or not in the manner in which business decisions are taken is a free choice. Does such a voluntarist focus in effect let company senior managers, professional and trade bodies and even government “off the hook” of any attempt to be prescriptive about the conduct of business activity? This question concerns the focus or agenda for any attempt to reconstruct economics around an emphasis on virtue. In business ethics, virtue-based approaches focus on the quality of the behaviour or decision-making of individuals, or perhaps groups of individuals acting in concert, such as a company board. The external legal framework within which those decisions are framed is taken as given. A range of institutions, including professional regulators, codes of standard and government regulations may heavily circumscribe economic activity. These also include a external framework of contract law, and the institutions required to enforce that. Often the justification for

external regulation is to protect individuals against market failure, although sometimes it may be to protect individuals from other forms of harm or exploitation. In broad terms these activities might be framed in terms of society “doing justice” to those who may be vulnerable in different economic circumstances.

The question here is the extent to which considerations of virtue might guide such activity. To the extent that justice is a key virtue, then virtue has a part to play. However, there will need to be arrangements in place to ensure that public bodies can give expression to that virtue. It is not sufficient to argue that a virtue-based approach to economics pushes all legitimate consideration of the quality of economic behaviour into the realm of the individual, and that economic problems can simply be solved through individual virtuous action. In theological terms governance implies moral order, not voluntarist anarchy. This process starts with education – education about the proper ethical function of professional standards of behaviour.

### *Conclusion*

This paper has argued that a recent revival of interest in virtue ethics has much to contribute to a critique of the modern economics curriculum, and makes a plea for the proper place of virtue at the heart of the way in which future business leaders are educated. That education process begins within a clear and thorough understanding of the proper *telos* of economic and business activity. Economic analysis, grounded in Enlightenment utilitarianism philosophy, flounders on the rocks of internal teleology. Consequently a business curriculum with an over-emphasis on economic modes of analysis self-excludes any ability to comment, in a normative sense, on the quality of business behaviour and actions. This chapter has argued for a Christian theological perspective on virtue ethics - one proceeding from a teleology that is focused on the “present future” of the Kingdom of God and not on any Aristotelian notion of common good. So, for example, a theological perspective on the global financial crisis must focus as much on moral and ethical questions relating to personal behaviour and responsibility, as much as on the technical questions of inadequate government regulation and the consequences of mistaken macro-economic policy. A virtue-based approach would not only focus on underlying issues of global justice, but also on the absence of forbearance, prudence and, as the crisis unravelled, trust. Technical education in the intricacies of financial markets must sit alongside a more moral business school curriculum that seeks to instil virtuous character on the part of business leaders of the future. Ethical critiques of such technical approaches cannot and must not be “bolted on” as an afterthought – considerations of decision quality must be taught as integral to the subject matter within the business school curriculum.

As one contemplates that future, the question remains as to whether the “pull” of such virtuous behaviour is sufficiently strong to effect economic change. The juxtaposition of appealing to

“better virtue” or “baser self-interest” here illustrates the inherent tension between seeking to develop policy on the basis of how economic agents ought to behave or on the pragmatic basis of accepting economic behaviour as it appears to be. A Christian theological basis ought not to accept the pessimism of the latter, but reflect on the economic and business implications of the optimism of a future Kingdom of justice brought into the present.

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### *Further Reading*

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