

Ethical Economy. Studies in Economic Ethics and Philosophy

Moses L. Pava
Michel Dion *Editors*

Justifying Next Stage Capitalism

Exploring a Hopeful Future

 Springer

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The book series has been accepted into SCOPUS (March 2019) and will be visible on the Scopus website within a few months.

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Foreword

Business and capitalism are experiencing an extremely stressful present day. There have been myriad calls for reform, restructuring, and outright abandonment of one of the most powerful and useful institutions in human history. How we have evolved as humans to cooperatively create value for each other and to trade that value until most are satisfied can't be underestimated in the history of human flourishing. Unfortunately, there have been attempts to reduce "business" or "capitalism" (which I take to denote roughly the same human activities) to the existence of "pure competition," "making profits for shareholders or owners," or "it's about the money." And, for all the good consequences that have resulted, there are plenty of others that have destroyed value and spread misery. Recent events from a renewed interest in racial and gender discrimination, fractured political systems around the world, a global financial crisis, increasing inequality of wealth, income and opportunity, technology that seems to undercut the belief in facts, and finally a worldwide pandemic have called our entire system into question over the past two decades.

Remarkably, our business system has produced many positive responses, as companies have emerged that do things differently, that see their role as purpose driven, stakeholder oriented, and as a positive net benefit to society. Business is once again showing its resilience and openness to change. As Charles Handy has argued for many years and as the authors in this volume opine, business and capitalism, these systems of value creation and trade that exist around the world, are quite resilient and open to many forms of evolution. The outstanding papers in this volume critically examine many proposals for reform, and they do so with an optimistic though clear-headed analysis of what is likely and what is possible. Most of the papers are concerned with integrating a sense of ethics into our idea of business. Hopefully the authors would agree that when we say "business ethics, that's an oxymoron, two words that are contradictory, isn't it" we have begun to locate the problem. But ethics is not the panacea here. We need to realize that business or capitalism or whatever you want to call our systems of value creation and trade are human institutions. And we need the very best thinking of all of our "disciplines" to understand how to make them better. The authors here focus on a number of the humanities to enrich our understanding of how we can make business better.

Finally, these papers contain a sense of hope that in fact we can do better. We can leave our children better systems of value creation and trade. We can improve how we think about business. There is no magic bullet here, nor is there one obvious best answer. In the pragmatist spirit of John Dewey and Richard Rorty, I see the authors here as engaged in the project of redescribing business and businesspersons to create a more equitable, more just, and more hopeful world.

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R. Edward Freeman

Introduction

The traditional justification for capitalism has been that it is the single system that produces the most wealth with the least cost for the most people. While this justification no longer has the taken-for-granted status that it once enjoyed, it remains the dominant and mainstream argument in favor of capitalism, especially in the United States. For many, it remains the goose that lays the golden eggs.

Today the many variants of capitalism around the globe remain an efficient producer of human wealth, but at the same time it is increasingly obvious to both capitalism's supporters and critics that capitalism is deeply implicated in each of the following significant and potentially catastrophic global trends:

1. Income and wealth inequalities have risen to unprecedented levels causing political instability.
2. Climate change caused by the burning of fossil fuels has disrupted human and animal environments in dangerous and threatening ways causing average temperatures to reach dangerous levels.
3. Private institutions like churches, mosques, synagogues, universities, museums, and even charities have begun to resemble for profit businesses more than values-based organizations, and as the philosopher Michael Sandel (2012) has pointed out, it seems like *everything is for sale* today.
4. Racism, sexism, homophobia, transphobia, and other forms of discrimination continue to haunt us despite increased recognition and efforts to reduce them.
5. Artificial intelligence in just the past few years has forced us to ask ourselves, what is it, if anything, that makes human beings unique? Will we survive as a species or are we inevitably heading toward a post-human world?
6. Government institutions and agencies have been corrupted by lobbyists, political donors, social media, and other nefarious actors, making it almost impossible to promote wise public policies, even when it comes to a worldwide pandemic like Covid-19.

The assumption of this volume is that in an age of complexity, interconnection, inequality, and ecological instability, capitalism's future depends on our ability to think with care and act in conformity with widely shared democratic principles, to

broaden the justification for capitalism to include a much longer list of values beyond wealth and efficiency. This is one of the reasons why the Business Roundtable has recently revisited “The Purpose of the Corporation” and why important investors are demanding more accountability from the companies they invest in (see especially the Business Roundtable—Opportunity Agenda and Larry Fink’s Letter to CEOs | BlackRock). It is also the reason for the burgeoning literature on “next stage capitalism,” a term of art that we use to include the many and various serious proposals about the future of capitalism.

This book has explored these emerging justifications by soliciting the views of academics, from different backgrounds and disciplines, and from around the globe. Authors were asked to write essays—not to prove logically or empirically that capitalism is the best of all possible economic systems—but to imagine and partially explore some possible and hopeful futures for capitalism. We asked authors to pick and choose from the following set of broad questions or to devise their own. The questions originally proposed to authors by the editors were as follows:

1. Is the recent call for corporate purpose or purposes beyond profit maximization a realistic expectation?
2. Is a business entity likely to promote or suppress one’s personal search for meaning? Is capitalism consistent with the promotion of human kindness, care, and compassion?
3. Is capitalism consistent with the promotion of values and virtues like courage, freedom, autonomy, privacy, responsibility, traditional and non-traditional spiritualities, wisdom, moral imagination, art, competition, cooperation, etc.?
4. Is stakeholder capitalism a positive evolution? How will corporate law, governance, and accountability evolve in the near future to encourage the further development of capitalism?
5. How does the rise of intangible assets and the diminishing need for capital as *the* scarce resource affect the legitimacy of capitalism, if at all?
6. What is the legitimate role of government in a capitalist economy?
7. How might a guaranteed minimum income for all citizens help or hinder the growth of a positive brand of capitalism? Ought the government or business be the major supplier of medical insurance and health promotion?
8. What role can technology play in improving capitalism? What role is there for less skillful workers in an emerging capitalism?
9. Must capitalism be justified in utilitarian terms? Or might there be other modes of justification?
10. How can the study of history and/or literature inform how we think about the future of capitalism?

From the Industrial Revolution to 1960s, the justification for capitalism to its strongest supporters was obvious and rarely needed to be explicitly stated. This began to change during the 1960s which saw a conjunction of various emerging social, cultural, political, and economic phenomena, including the rise of ecological movements and trends such as ecological economics, the second-wave economics, the civil rights movement (particularly in the United States), and the various forms of the counterculture. Globalization began to influence many of those extreme powers

for social change. Since 1970s, different proposals for justifying a new stage of capitalism have been elaborated. Although those proposals do not necessarily share the same assumptions and frameworks, they do convey the same urgent need to re-imagine capitalism, in taking social movements for change into account.

Three basic trends characterize this period (since 1970s): a value-orientation of capitalism (humanistic management, values-based management, compassionate capitalism, shared values), a growing need for a widened accountability (Triple Bottom Line, B. Corp Movement, ESG or Sustainability Reports), and a holistic approach of corporate life (integral business, stakeholder capitalism, social-entrepreneurship, conscious capitalism, etc.). We do not know exactly what “next stage capitalism” will look like. Nonetheless, we can identify its basic orientation: changing business through a value-centered, better accountability, and a holistic approach. This book examines how the justifications for the next stage of capitalism or, more likely, capitalisms is most likely to arise and to take hold when taking all social, cultural, economic, and political challenges into account.

Part I of the book deals with broad proposals for the basic orientations of next stage capitalism. Various ways have been proposed for identifying such basic orientations. The book begins with a discussion of next stage capitalism by Moses L. Pava (Chap. 1). The chapter emphasizes the need for faculty to explicitly teach of Values-Based Decision-Making to business students given the profound changes beginning to occur in business and changes the author believes will continue into the foreseeable future. Chapter 2, authored by Michel Dion, suggests that next stage capitalism may be justified by the emergence of a threefold organizational togetherness: living-togetherness, working-togetherness, and hoping-togetherness. Those modes of interdependence unveil the complexity of corporate life and the need to develop a holistic and value-grounded view on organizational issues. David Bevan and Patricia Werhane (Chap. 3) describe an evolutionary change: “The move of elaborating capitalism as a set of social/economic/political and ethical imaginaries accounts for both a pluriverse that recognizes the dramatic cultural differences, particularly in emerging economies.” The social contribution of business corporations may be one of the most important corporate goals: “companies will become more aggressively, systematically, and effectively active in influencing law, politics, and the societies around them” (Joseph Badaracco, Chap. 4). The “no one size fits for all” principle should always be reminded. There are multiple stakeholder theories and kinds of corporations (SMEs, family-owned companies, state-owned corporations, multinationals). Moreover, moral and legal duties vary from one country to another, from one period to another (Timothy Fort, Chap. 5). Some proposals for the next stage capitalism remain morally ambiguous: they promise benefits which are never materialized. Moral ambiguity could then lie in the contradiction between morally grounded promises and realities, as though promises were unrealistic or utopian (Daryl Koehn, Chap. 6). Justifying next stage capitalism is adopting a multidisciplinary approach which involves the collaboration of moral philosophers, economists, and legal scholars. It needs an open dialogue about corporate governance and ethical norms, as they are embedded in organizational life and culture. Moral philosophy could allow organizational members to make consistently ethical decisions, when dealing with the increasingly complex situations of the business world

(Santiago Mejia, Chap. 7). Reinventing capitalism is thinking about economic life, out of the capitalist box since globalizing capitalism has left many social concerns and realities unsettled. Inventing an innovative future for a global economy that evolves in a complex world requires drawing relevant lessons and welcoming realistic critiques of the incompleteness of capitalism (Andrew Orta, Chap. 8). Business schools may contribute to the advent of the next stage capitalism. However, they must redesign the business curriculum, to favor an interdisciplinary and multidimensional approach of business issues and concerns, including the various contributions of history, philosophy, literature, and social science (Harris Sondak, Chap. 9). Reinventing capitalism is safeguarding a realistic hope for the future of capitalism. It may require the search for an existential meaning of organizational life as well as the call for “a new stage capitalism that elevates words, subjects, effectiveness, and collaboration alongside numbers, objects, efficiency, and competition” (Anne M. Greenhalgh, Douglas E. Allen, and Jeffrey Nesteruk, Chap. 10).

Part II of the book addresses specific challenges for organizations which embrace different variants of next stage capitalisms. In the context of this next stage capitalism, corporate accountability cannot remain the same. A new version of accountability requires corporations to incorporate social costs and benefits into accounting reports. In doing so, companies may explicitly and directly disclose their own social contribution (Joshua Ronen, Chap. 11), a major departure from current practice. A broader concept of corporate accountability calls for the emergence of a higher purpose for business which enhances the interests of all stakeholders while recognizing “incommensurable” ethical concerns and values (racial justice, fair wages, meaningful work, diversity, and safety of the products) (Moses L. Pava, Chap. 12). Business narratives may convey the message that organizational strategies and decisions are virtuously oriented, while this is not the reality (Pablo Hernandez-Lagos, Chap. 13). Next stage capitalism is embedded into the widened scope of green economies, given that sustainability and economy could eventually constitute a moral and human economy (Johan Fischer, Chap. 14). The B. Corp movement attempts to make business corporations more socially and environmentally responsible through certification. B. Corp companies enhance “the development of sustainable relationships with their stakeholders” (Anne-Marie Corriveau and Isabelle Létourneau, Chap. 15). The next stage capitalism cannot neglect the crucial role of government since governments “provide for the common defense (the armed forces), establish domestic order (police), make laws and settle disputes (legislature and the courts), protect citizens from monopoly, regulate unfair business practices, and the undesired side-effects of market activities and provide collective goods” (Alfred Marcus, Chap. 16). In the context of the deployment of artificial intelligence, the justifications for the next stage capitalism refer to “the dignity of the human being and the importance of creating organizations through dialogue and narratives.” Organizations then become “human-centric” (John W. Murphy and Carlos Largacha-Martinez, Chap. 17). Space capitalism evolves “in a dynamic of paradox”: “reaching the unbounded reserves of wealth outside our planet requires enormous expenditure of the very limited resources on which our continued existence depends.” Thus, the notion of the next stage capitalism cannot exclude the future challenges of capitalism, when designing opportunities and projects of space

exploration (Pina e Cunha, Steward Clegg, Arménio Rego, and Marco Berti, Chap. 18). The next stage capitalism cannot underestimate the social, legal, and economic role of governments. Next stage capitalism, whatever else it is, cannot erase the requirements of good governance. Finally, today's capitalism is already attempting to contribute to better healthcare outcomes for its workers and citizens (Ron Z. Goetzl, Chap. 19). The next stage capitalism needs a new way of behaving and believing for business leaders and partners that presupposes a pragmatic confrontation with the illusion of the self (as though the self were a stable identity), the illusion of society (as though individual and collective perceptions were not driven from natural evolution), and the illusion of choice (as though choices were always systemic and complete) (Michael J. Thate, Chap. 20).

Common Theme Among the Contributors Is a Practical Hope

The well-respected political theorist Wendy Brown provides one of the most trenchant criticisms of contemporary capitalism in her book *Undoing the Demos* (2015). In her view, what she labels as neo-liberalism is the real enemy of contemporary political and social life. In her words:

[N]eo-liberalism is not simply a set of economic policies; it is not only about facilitating free trade, maximizing corporate profits, and challenging welfarism. Rather, neo-liberalism carries a social analysis which, when deployed as a form of governmentality, reaches from the soul of the citizen-subject to education policy to practices of empire. Neo-liberal rationality, while foregrounding the market, is not only or even primarily focused on the economy; rather it involves *extending and disseminating market values to all institutions and social action*, even as the market itself remains a distinctive player. (emphasis in the original)

We don't disagree with Brown's general diagnosis of capitalism's contributions to contemporary social failures. It certainly seems that neo-liberalism's nearly exclusive focus on maximizing individual utility has escaped from the confines of the purely economic domain, where it was originally located, to nearly every province of human pursuits. In fact, we would agree with her claim that in "extending and disseminating market values to all institutions" and social action, democracy itself is put into grave danger. Brown's hope for the future is a radical but amorphous reconstruction of democracy—how we define democracy, how we think about it, and how we practice it. Capitalism itself, however, has no role to play in her project. We are in the last throes of "late capitalism," a phrase which is more of an epithet, a statement of negative faith, than an analysis of the facts on the ground.

Where we differ from Wendy Brown's powerful book is the casual but generally unstated and always unargued assumption that the situation is so dire that capitalism itself is beyond repair and can play no positive role in reconstituting a healthy *demos*. It is our belief that the values of the market can potentially include a far broader set of values than the singular pursuit of the efficient creation of wealth for the capitalists. And, as the papers included in this volume prove, the next stage of capitalism has *already* begun to incorporate a relatively long list of varied values

beyond the narrow view recognized by Brown. These values include moral imagination, moral principles, personal and corporate accountability to the broader society, education, creativity, a deep respect for governance and democracy, and better healthcare, to name just a few.

What ties together the papers included in this volume is the belief—the practical hope—that capitalism and business in its varied forms across the globe, and in its willingness to experiment (and even fail), yet possess sufficient resources to play a (perhaps the) leading role in the reconstitution of society. The concern with Brown’s approach is not in her diagnosis but the *obvious lack of specificity concerning the cure*. If business is beyond repair, as Brown assumes but never really examines, how does one eliminate business’s significant power without recourse to violence and unnecessary destruction? Leaving this question open, or at best nebulous, is itself a most dangerous place to stop thinking. As recently as September 2023, Wendy Brown has admitted in an interview in response to a request to expand on the specifics of her position that “the left needs to set out its own vision...,” thus declaring that until now it has not done so sufficiently. More troublesome is her provocative comment in the same interview that “I don’t think apocalyptic thinking is out of place...” I would assume that all the authors included in this volume do think that apocalyptic thinking is out of place in the public sphere and can serve no function in moving the dialogue forward.

From a realistic and practical perspective, not only can a next stage of capitalism re-invigorate our shared life together, but it is quite simply a *necessary condition* for the improvement of society. Without the voluntary contributions of business to the human project, we see little hope for real and permanent societal improvement.

Not all of us are overly optimistic about the future, but all of us clearly see several untried paths worthy enough of investigation. And this is the source of the hope referred to in the subtitle to this volume. Next stage capitalism is not yet mainstream capitalism. No one here is making this claim. It is still in its infancy. This book is dedicated to its growth through dialogue, research, new ways of teaching business, a deep commitment that we are all in this mess together, and the faith that only working together will we contribute to creating a better future for our children and their children.

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Part I
Imagining Next Stage Capitalisms

Chapter 1

Next Stage Capitalism and Teaching Students to Use Values to Make Good Enough Decisions



Moses L. Pava

Another relation to the world is possible.

Greg Ellerman

Abstract The assumption of this chapter is that capitalism's future depends on our ability to nudge, legislate, educate, and allow for new forms of capitalism to emerge. For the purposes of this chapter, I will refer to this emergent entity as next stage capitalism. "Next stage capitalism" is a term of art that is used here to include the many and various serious proposals about capitalism's future. The single theme that runs through all these new proposals and ties them together is the call for business to begin to serve the public interest, not indirectly, but by conscious design.

While this movement is not yet mainstream, nor is there a single philosophy or organization that fully articulates it, the basic outline of a next stage of capitalism is becoming more legible with each passing year. A next stage capitalism requires justification through fair and open dialogues centered on human values. Or, putting it negatively, in the absence of human values, the concept of corporate values makes no sense, and in turn, in the absence of corporate values, how are corporate purpose or purposes going to be generated, understood, and ultimately justified in a credible way to stakeholders and citizens? This chapter will explore just one of the many implications for the emergence of next stage capitalism. This is the increasing need to teach business students to become fluent in the language and use of *values* in business. In the simplest formulation, the goal of introducing values into the business school curriculum is to help students learn to work in Purpose-Based Corporations. This means they will have to learn how to 1-think and speak together about, 2-plan, 3-build, and 4-sustain a future world in which they and subsequent generations will not just survive but will love wholeheartedly. Or, in more colloquial

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and less grandiose terms, the point of teaching students about values is to provide them with some additional tools to create and sustain *good enough* businesses so that we can all work and live together in relative peace and harmony for the near future.

Keywords Capitalism · Corporate purpose · Dialogue · Teaching business ethics · Values

1.1 Introducing Next Stage Capitalism

Even capitalism's loudest friends recognize that traditional capitalism, as understood and practiced for nearly 200 years, is no longer working like Adam Smith promised in *The Wealth of Nations* (2003) or like Milton Friedman promised more recently in *Capitalism and Freedom* (1962). Capitalism's traditional justification has been that it is the unique system that produces the most wealth with the least cost for the most people. While this justification no longer has the taken-for-granted status that it once enjoyed, it remains the dominant argument in favor of capitalism, especially in the United States.

Today, capitalism, even according to many of its harshest critics, remains the most efficient producer of human wealth but at the same time it is (almost) impossible for anyone, even capitalism's biggest boosters, not to notice that capitalism is deeply implicated in each of the following dangerous trends:

1. income and wealth inequalities have risen to unprecedented levels,
2. climate change caused by the burning of fossil fuels has disrupted human and animal environments in dangerous and threatening ways,
3. racism and sexism and other forms of discrimination continue despite increased recognition and some significant efforts to reduce them, and
4. government institutions and agencies have been corrupted by lobbyists, political donors, social media, and other nefarious actors to the point where the future of democracy in the US, and around the globe, is far from certain, making it almost impossible to promote wise public policies, even when it comes to shared dangers like pandemics, regional wars, and the regulation of artificial intelligence.

It appears to many observers that our contemporary imperative to control the world has brought into existence a world out of control (Rosa 2019). Alarming for supporters of contemporary capitalists, a 2020 survey conducted by the public relations firm Edelman discovered that nearly 6 in 10 people surveyed worldwide agreed with the statement that "capitalism as it exists today does more harm than good in the world" (King 2020).

The assumption of this chapter is that in an age of complexity, inequality, and ecological instability, capitalism's future depends on our ability to nudge, legislate, educate, and allow for new forms of capitalism to emerge. For the purposes of this chapter, I will refer to this emergent entity as next stage capitalism. "Next stage

capitalism” is a term of art that is used here to include the many and various serious proposals about capitalism’s future. The single theme that runs through all these new proposals and ties them together is the call for business to begin to serve the public interest, not indirectly, but by conscious design. While this movement is not yet mainstream, nor is there a single philosophy or organization that fully articulates it, the basic outline of a next stage of capitalism is becoming more legible with each passing year. Next stage capitalism subsumes traditional capitalism but as its vision becomes clearer and more coherent over time, it is fair to say that it represents the early steps of an entirely new developmental phase of capitalism, sufficiently distinct from its neo-liberal progenitor to assign it a new label.

Next stage capitalism has not yet reached its tipping point, nor has it fully coalesced into a fixed set of doctrines. It has several and various tributaries that continue to contribute to its development, with no one person or organization managing its development from on high. And, in this sense, it is a purely emergent phenomenon. Some of the major sources for my understanding and presentation of next stage capitalism include the following: Ed Freeman’s Stakeholder Theory (2010), John Mackey and Raj Sisodia’s Conscious Capitalism (2013), Colin Mayer’s Prosperity (2018), Rebecca Henderson’s Re-Imagining Capitalism (2020), Joseph Badaracco’s Entrepreneurial Capitalism (2013), Michael Pirson’s Humanistic Management (2017), Mark Benioff’s Compassionate Capitalism (2019), Paul Jones’ Just Capital (2020), Ken Wilber’s Integral Business (2017), Robert Kegan’s Deliberately Developmental Business (2016), Robert Quinn’s Economics with a Higher Purpose (2019), Michael Porter and Mark Kramer’s Shared Values (2011), Peter Senge’s Learning Organization (2006), Ed Kaplan’s Balanced Scorecard (1996), Baruch Lev’s Strategic Resources and Consequences Report (2016), John Martin’s Value Based Management (2009), Ken Banks’s Social Entrepreneurship (2016), the Well Being Alliance (see <https://wellbeingtrust.org>), and the B Corporation Movement (Honeymann and Janna 2019).

Below I identify several basic propositions that taken together constitute the main building blocks for this newly emergent stage of capitalism. While some of these propositions have been around for a long time and are now considered mainstream and even “common sense” (although at one time they were considered quite controversial) others are newer, more tentative, and more experimental. The list is not intended to include every proposal and claim in the exponentially growing literature on the next stage of capitalism nor is every proposition on the list necessarily endorsed by all those companies promoting the project of next stage capitalism. The list is intended primarily to highlight the notion of business as a *human enterprise* and to underline the *discontinuity* between neo-liberalism and next stage capitalism. Society and the economy are shifting from a singular focus on materialism to a focus on a broad array of human values and meanings.

The list below proceeds from the least controversial aspects of next stage capitalism to its more controversial propositions:

1. Business possesses moral responsibilities beyond strictly legal requirements to shareholders of a corporation and to all stakeholders including employees,

customers, suppliers, governments, and local and global communities. This proposition is well-established and every major corporation either fully endorses it or, at least, pays it significant lip-service.

2. These moral responsibilities evolve over time and, at the margins, are contestable or even highly contestable. This implies that there has been a significant broadening of corporate accountability over time and that the concept of accountability is now grounded in active dialogue with various stakeholder groups rather than as a monologue on the part of the corporation (Pava and Krausz 2006). Or to put this in a slightly different way, horizontal accountability among stakeholders is fast replacing the more traditional, top-down, or vertical accountability (Badaracco 2013).
3. Business values the efficient creation of wealth but this is just one of many relevant business values. Business values now include an expanded and growing list of items including human dignity, well-being, flourishing, interdependency, power, responsibility, kindness, care, love, environmental sustainability, competition and cooperation, playfulness, and a paradoxical embrace of both-and thinking rather than either-or. Managers attempt to avoid framing business decisions in terms of trade-offs among stakeholders and search for solutions that can work to everyone's benefit, often (but not always) discovering win-win resolutions.
4. Managers and all stakeholders are expected to become self-conscious of these emerging individual and business values and are expected to implement appropriate values under the appropriate circumstances. Cost-benefit analysis is one tool managers use to aid in decision-making, but given the incommensurability of many of the values (and the inability to meaningfully translate values into currency) managers are now expected to define both their own identity and the identity of the corporation through their ability to order and to choose values wisely, consistent with the company's vision, mission, and strategy, to embed those values in a compelling narrative, and, finally, to implement them in a fair and practical way (Badaracco 1997).
5. Employees, especially younger ones, now expect and demand meaningful work beyond safety and fair compensation. Similarly, consumers demand high quality, healthy, safe, aesthetically pleasing products, services, and meaningful human experiences (Heath and Heath 2017). They expect these products will be manufactured using sustainable methods, while respecting diversity, justice, fair labor practices, and human rights.
6. Business ethics has evolved far beyond the endorsement of maximizing shareholder value subject to a list of ethical constraints. Today's business ethics is more about the search for meaning in organizations than providing a list of dos and don'ts (Pava 1999, 2003).
7. Business has multiple purposes beyond the efficient creation of wealth. Until recently, capitalism was justified and legitimated as the system that produced the greatest amount of wealth with the least amount of effort—full stop. Advocates of conscious capitalism justify and legitimate the existence of business in terms of its ability to instantiate a wide variety and balance of human values and the

ability of business to contribute to solving seemingly intractable social problems like global warming, racial and wealth inequalities, health emergencies, access to health care, diminishing privacy, animal rights, and discrimination of all sorts, to name just a few.

This chapter will explore just one of the many implications for the emergence of next stage capitalism. This is the increasing need to teach business students to become fluent in the language and use of *values* in business. The call for corporate purposes beyond profit maximization solely for the benefit of stockholders when taken seriously is a profound change relative to business as it is currently taught. As Mackey and Sisodia, who coined the phrase conscious capitalism, write:

As longtime proponents of conscious capitalism, we strongly believe that values are foundational for companies looking to embody a more conscious way of doing business. Values inform a company's purpose...The collection of values that are core to a company compose its culture. *The values of the company's leaders must be in harmony with the espoused values of the organization, which have to resonate with all stakeholders—so getting values right is essential to the practice of conscious capitalism.* (Introduction to Freeman and Auster 2015, emphasis added)

A next stage capitalism requires justification through fair and open dialogues centered on human values (Freeman and Auster (2015), Hartman (1996) Gentile, (2010) Isaacs (1999), and Painter-Morland (2008). Or, putting it negatively, in the absence of human values, the concept of corporate values makes no sense, and in turn, in the absence of corporate values, how are corporate purpose or purposes going to be generated, understood, and ultimately justified in a credible way to stakeholders and citizens?

Corporate purpose grows out of the rich soil of individual human values authentically held. Business leaders, labor, suppliers, customers, government regulators, and all corporate stakeholders need to understand what is meant by corporate values, how to speak about them, and how to enact their values in the world of business to make them real. If students are to become fluent in the language and use of values, business ethics professors and traditional business teachers in the typical business disciplines must begin to learn how to teach students to identify and use values to make good decisions for themselves, for their organizations, and for the common good.

In the simplest formulation, the goal of introducing values into the business school curriculum is to help students learn to work in Purpose-Based Corporations. This means they will have to learn how to

1. think and speak together about,
2. plan,
3. build, and
4. sustain

a future world in which they and subsequent generations will not just survive but will love wholeheartedly. Or, in more colloquial and less grandiose terms, the point of teaching students about values is to provide them with some additional tools to

create and sustain *good enough* businesses so that we can all work and live together in relative peace and harmony for the near future.

This is an imagined world with sufficient material wealth and comfort for everyone, which will provide ample and equal opportunities to develop and strengthen the quality of their interpersonal and intrapersonal relationships, both in public and organizational life and in more intimate life. It is a world in which businesses are explicitly designed to contribute to promoting the public good as the clearly articulated and unambiguous purpose of the organization and not as profit-making machines for the benefit of a relatively small group of stockholders in the unlikely and increasingly strange-sounding hope that by continuing to exclusively pursue their own self-interests everyone will ultimately benefit in the long run.¹

1.2 The Traditional Alternatives to Values-Based Decision-Making

The focus on teaching values to business school students is dramatically counter to the dominate mode of current teaching in business schools (think especially about finance and accounting), with its emphasis on teaching techniques and knowledge in the service of maximizing the wealth of the owners of capital. This goal of teaching students how to use values in decision-making will not help students obtain their coveted first job out of college² nor will it make you popular among faculty in the various traditional business school disciplines. But the hope is that it will allow your students a broader set of choices to thrive overall in a world that is changing quickly and in unpredictable ways.

There are various decision-making models in use and taught in business schools. Business ethics courses serious about the moral quality of their students' lives, for

¹This vision described in this, and subsequent sections of the paper is consistent with and has been inspired, in large part, by the work of the contemporary German sociologist Hartmut Rosa. In his magisterial work *Resonance: A Sociology of our Relationship to the World* (English Edition: 2019). Rosa emphasizes that what humans really crave is not wealth, power, and more gadgets but what we desire are resonant relationships to the world. He defines resonance as:

a specifically cognitive, affective, and bodily relationship to the world in which subjects are touched and occasionally even “shaken” down to the neural level by certain segments of the world, but at the same time are also themselves “responsively,” actively, and influentially related to the world and experience themselves as effective in it – this is the nature of the responsive relation or “vibrating wire” between subject and world. When a person’s eyes light up, we can read this as visible and perhaps measurable evidence that their wire is resonating in both directions. See also Hollstein and Rosa (2023) for a specific application of Resonance Theory by Rosa himself to business and business ethics.

²I was once told by a Big Four Accounting partner that “we are looking for students with cookie-cutter minds.”

example, generally introduce at least three alternative frameworks for ethical decision making.³ The first is *Aristotle's Virtue Ethics*, where the goal is to make decisions to improve one's character over time, developing good habits through practice, until the virtues like integrity, courage, responsibility, ambition, and demanding work become second nature. This is best accomplished by finding good and wise role models and emulating their behavior. For example, if one wants to learn how to become an ambitious employee who works hard every day, find someone who exemplifies these virtues, observe them carefully, and practice their behavior every day. Over time, the hope is that demanding work becomes a habit and then an essential part of one's character.

The second framework is *Immanuel Kant's Deontology*, where the goal is to base moral decisions exclusively on applying universal principles or what Kant describes as the "categorical imperative." One formulation of this imperative is to treat everyone as an end in themselves and not merely as a means to one's own ends. This framework is also referred to as the *Ethics of Duty*. Treating everyone with equal dignity and respect in business, especially when it comes to matters of race, ethnicity, religion, and sexual identity ought to be grounded in universal principles best derived from the deontological perspective and our treatment of them ought not to depend on someone's understanding of the "natural" way of things or the way that God has ordained society.

Finally, by far, most of the time and energy in business ethics course is devoted to *Jeremy Bentham's 19th century invention of Utilitarianism* (and its various formulations). This is often the default assumption, especially, for example, in the teaching guides accompanying most Harvard Business School cases that deal with ethics issues. The key insight in this third framework is that specific actions, good intentions, and even positive virtues and character traits are irrelevant to good decision-making. The only things that *really matters* when it comes to decision-making, according to the Utilitarians, are the expected worth of future outcomes. This approach is labelled as an example of *Consequentialism*. The most common formulation of Utilitarianism is to act in such a way as to bring about the greatest happiness for the greatest number, with pleasure or utility (but in practical terms, especially when applied in a business context, more likely money) as the single yardstick to measure goodness. Utilitarianism assumes that all values, regardless of significant surface differences (for example, power, beauty, efficiency, spirituality, compassion and kindness, and sustainability), collapse into a single overarching universal value. While this makes modeling decision-making a reasonable task and the math undergirding the models much easier to manipulate, it raises serious issues

³Even in the absence of formally introducing students to VBDM, one of the issues that emerges quickly in the first weeks of a course on business ethics is the extremely tough question of how one is supposed to choose among the standard models? On what basis ought a student to choose among them? Keeping the various models of decision-making in mind all at the same time, may be relatively easy for those of us who have taught business ethics for years, but over time, experience in the classroom has led me to believe that this is a relatively difficult task for even the best undergraduate students. Evaluating their strengths and weaknesses is nearly impossible.

and concerns related to how we experience ethics and implement values in real life. In invoking the assumption of a single value as a stand-in for the vast array of human values, are we not erasing those experiences that make our shared lives together most fulfilling and meaningful? (See Wolf 2010). Utilitarianism remains the dominant moral language in business and government. And surely the goal of the greatest happiness for the greatest number is an important principle that ought always to loom in the back of one's mind when making significant decisions, but it is a razor-thin language, a language lacking the vocabulary to describe anything even close to the lived-reality in purpose-driven businesses, a characteristic it shares with both Virtue Ethics and Kant's Ethics of Duty.

Outside of the business ethics courses discussed above, it is even harder, if not completely impossible, to introduce the language of values (beyond the single value of pleasure, often dressed up in the technical language of "utility") in a serious and coherent way. In the traditional disciplines like finance, marketing, and accounting, the dominant, if not single, decision-making model is the *Rational Model of Decision-Making*. This model is like Utilitarianism, or the Consequentialist framework described above, in the precise sense that only the future outcomes of today's decisions matter. But instead of serving the public good, decision-makers ought to choose the action that leads to the decision-makers' own preferred outcomes. Here, pleasure remains the single yardstick to measure goodness, but now the only pleasure that counts is the decision-makers' perceived pleasure and everyone else's pleasure is ignored. To outsiders the Rational Model may sound completely self-interested and can hardly be a moral or ethical theory at all. However, in fairness to the Rational Model, it has famously been justified by Adam Smith and his many followers (always assuming away the existence of externalities) as coincidentally the single model that ultimately leads to the greatest good for the greatest number, thus justifying the Rational Model indirectly as a kind of moral theory.⁴ This is known as the famous Invisible Hand argument and when translated into equations possesses an alluring aesthetic quality that I, for one, once wrongly equated with its truth.

1.3 Why Teaching Values Is So Hard

With the brief outline of the major frameworks for ethical decision-making in hand, I can now point out varied reasons why introducing the language of values, even into a business ethics course, is not easy. First, most students are rarely convinced that a next stage capitalism is either possible or necessary. They come into class

⁴In yet another subtle but important distinction, in Milton Friedman's formulation of the Rational Model of Decision-Making, decisions in business ought to be made exclusively for the benefit of shareholders or the "owners" of the corporation (1970). How Friedman's formulation relates and differs from the Rational Model of Decision-Making applied at the individual level (see the main text) is rarely discussed in business ethics texts.

with a healthy suspicion of anyone who claims that business can have higher purposes than making money. We have been indoctrinated from birth, especially Americans, that we are all self-interested agents looking to gain any advantage we can over our competitors, willing to lie or bluff about higher purposes in business, but not willing to really take them seriously. Isn't this what is left today of the American Dream? If so, there seems to be little reason to invoke our own personal values in business. Values, if they exist at all, belong in the private world of families, communities, churches, mosques, or synagogues.

Second, all three of the above frameworks including Virtue Ethics, the Ethics of Duty, and Utilitarianism, in theory at least, imply that one's own values are completely irrelevant. In Virtue Ethics, when you find a wise role model, all you need to do is to watch carefully and follow his or her lead. There is nothing to discuss or argue about concerning your own preferences or values. In the Ethics of Duty, once one has determined the correct universal principle using rational thought, the answer automatically presents itself. And, again, there is no need to invoke personal values into the process. In fact, personal values can only muck up the proceedings, as the major benefit of Principled-Based Decision-Making is that what is true for me is true for everyone who finds themselves in an analogous situation. Finally, regarding Utilitarianism, in theory, every dilemma has a single answer based on the maximization of total pleasure and the minimization of total harm. No other values need to be invoked. Joseph Badaracco labels these grand theories of moral guidance as "ethics machines" (1997). He does not deny their usefulness, but he does think that the help that they provide to reach a final decision in complex situations and then implement them in the real world is severely truncated.⁵

Third, each of the grand theories promises certainty. If one applies the framework correctly, one never needs to second guess oneself nor does one need to self-reflect on their own beliefs, attitudes, and values. The three frameworks negate the need for a meaningful, time-consuming, and anxiety-inducing internal life of self-examination implied by making decisions based on values. You may need a wise role model, the strength of character to live up to one's professed duties *despite of one's own preferences*, or you may need a powerful computer to identify all available actions, determine the probability of every outcome associated with those actions, and a simple decision rule (more wealth is better than less wealth). But one can and ought to teach ethics in the same way that one can teach other business disciplines, that is as external tools, applied and practiced over time.

Fourth, there is no need to compromise when applying the three frameworks. When applied right, you always have the single correct answer in hand and any compromise means that you are falling short of your most deeply held and morally profound principles and virtues. With the use of an ethics machine, one's own integrity is not in danger. In fact, it may feel, to the decision-maker as a relief, as if they are offloading the moral responsibility for making ethical decisions onto an external

⁵The kinds of problems one is likely to face in today's business world simply don't lend themselves to these frameworks, not surprisingly since they were invented and sharpened in historical periods very different than ours.

source. The decision-maker's innocence when it comes to ethics, even if they do things wrong, is preserved.

Finally, the three frameworks are permanent and unchanging. Virtue Ethics, as is well-known, is an extremely conservative method to solve ethical dilemmas. To oversimplify but to make my point, "Always do what you are told to do by your wise elders. The old ways are never wrong." The duty to apply universal principles never changes as it is grounded in Rationality, according to the philosopher Immanuel Kant, nor do the principles themselves ever change. And, finally, even Utilitarianism with its future focus, provides the single and final principle of morality. No reason to search any further for better decision models. To my students, colleagues, business executives, and public policy experts it seems as if Jeremy Bentham has finally solved the problem of ethical decision-making for the last time. To argue otherwise is simply naïve.

For those students (and faculty) who embrace certainty over uncertainty, integrity over compromise, permanence over constant change, and who would rather not be responsible for digging in too deeply into their own inner lives and taking a stand in a controversial decision by invoking their own imperfect values, Values-Based Decision-Making (VBDM) is an extremely tough sell. Further, to the extent that business is only about making more money anyway, values would seem to be more of a limitation on the superordinate goal of wealth-creation rather than a help.

At this point, one might to begin to ask themselves (as I sometimes do), "Why bother teaching VBDM at all? Who really cares?"

1.4 The Case for Values-Based Decision-Making

Relative to these traditional approaches to teaching business ethics, the introduction of values and VBDM is new. While the term "values" appears as early as 1800, its dramatic growth in usage does not begin until around 1880, when it begins to dominate other terms like "ethics" and "morality," according to a recent search on Google Books Ngram Viewer comparing the relative usage of the three terms. The specific phrase "Values-Based Decision-Making" does not first appear in the literature until 1986 (reaching its peak in 2008).

This paper is based on the best of contemporary research and upon self-reflections of my own experiences of teaching and continually adjusting a course I developed more than 10 years ago called Business as a Human Enterprise. I have now taught the course more than 25 times to first year students at my University's Honors and Entrepreneurial Leadership Program and to our first year MBA students. It remains a work-in-progress. As the name of the course implies, the course focuses on the human elements at work in business and business decision-making. It is a conscious shift from thinking of business as a money-making machine to an alternative metaphor of business as a living entity.

The point of the course is to make students conscious of the various decision-making models applied in business and their various strengths and weaknesses. But

what makes the course unique is that there is a special emphasis on VBDM. This is a method of decision-making that emphasizes the singular importance of taking human values seriously, explicitly recognizes the incommensurability of some of our deeply held values and focuses lots of attention on what is lost in assuming away the multiple and complex motivations (beyond happiness, pleasure, or money) of real-live human beings working together in organizations. All of us in business and business schools certainly do care about money, but we also care about honesty, a sense of accomplishment associated with working hard, equality of opportunity, autonomy, racism, sexism, homophobia, environmental sustainability, creativity, and what it means to be human in a world with artificial intelligence replacing humans as the primary decision-maker in a growing number of domains. Only something like the notion of VBDM provides even a rudimentary language to think and speak about those things we care about most in life during business hours! This is precisely the language of values.

The remainder of this paper is organized around a set of four open-ended questions concerning the strengths and weaknesses of teaching students about using values in business. The questions I have selected here, though, are not meant only for teachers. In fact, each of the following questions are purposely open-ended (i.e., there is no one right answer to any of them although I do believe that there are better and worse answers) and are designed for students themselves to consider and ponder. My hope and expectations are that these questions are precisely the ones that students will take with them after graduation and will continue to raise and answer as their careers develop, with their answers evolving and maturing over time. The paper formally concludes with brief comments about the future of teaching business ethics and with a single major implication for future academic business research. An appendix is attached to provide some questions for students to consider both during the course and in the following years.

1.4.1 What Are Values?

Most scholars and business practitioners seem to agree that values represent what a person finds most important in life and function as guiding directives in behavior. Values research in recent years has garnered interest in a host of disciplines including psychology, sociology, marketing, business ethics, and philosophy. Researchers have pointed out the various distinctions between diverse types of values including personal and organizational values, conservative and liberal values, individual and cultural values, values-in-use and aspirational values, hypernorms and local norms (Donaldson and Dunfee 1999), among many others.

Milton Rokeach, one of the earliest academic researchers on values, defined a value as “an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence...” (Rokeach 1973). Rokeach further divided values into two categories: instrumental values and terminal values. Instrumental values

are the “way” one pursues their terminal values and terminal values are values pursued for their own sake, since they have intrinsic worth to the decision-maker. He produced an extensive list of each set of values. Among his terminal values he identified: equality, freedom, mature love, friendship, happiness, and pleasure. Among his instrumental values he included: helpful, honest, loving, obedient, and polite. Rokeach’s research, in turn, has generated hundreds of academic research papers. Shalom Schwartz has refined and expanded upon Rokeach’s earlier research and has put forward his own theory of “Basic Values.” According to his definition values 1-are beliefs linked to affect, 2-refer to desirable goals, 3-transcend specific situations, 4-serve as standards to guide actions, and 5-ordered by importance in a hierarchical fashion. Finally, he points out that it is the relative importance of values that guide actions. “Values influence action when they are relevant in the context (hence likely to be activated) and important to the actor” (2012).⁶ Both Rokeach’s and Schwartz’s definitions are good enough as far as they go, but observers, are uncomfortable with the personal filter through which we must necessarily identify our values and would prefer to remove the subjective human element necessarily in play when one invokes values. Are values merely subjective predilections and preferences? Like the preference for chocolate ice cream over vanilla ice cream?⁷ Or, are they something deeper?

In defense of a values approach and to save it from mere subjectivism, Edwin M. Hartman further clarifies and expands on the definition of values. He writes that in invoking values:

The person is characteristically a reflective being with the ability to deliberate by considering not only alternative courses of action but also alternative values and forms of the good life, to some degree determining one’s principles and behaviors accordingly. (Hartman 1996, 8)

William C. Frederick adds to the conversation centered on defining values:

⁶Schwartz (2012) identifies ten broad universal values distinguished by the motivation that underlies each of them. He includes Self-Direction, Stimulation, Hedonism, Achievement, Power, Security, Conformity, Tradition, Benevolence, and Universalism. Schwartz also raises the possibility of Spirituality as an 11th value. He writes “If finding ultimate meaning is a basic human need, then spirituality might be a distinct value found in all societies.” He eventually dropped Spirituality because his empirical surveys did “not demonstrate a consistent meaning across cultures.”

⁷This concern is one of the reasons many thoughtful critics continue to insist on the 1-existence of clearly articulated cultural virtues, 2-the reality of universal principles that apply equally to everyone, and 3-ultimate primacy of the hard and irreducible facts of pleasure and pain. Sam Harris, for example, in his famous Ted Talk, is an unabashed fan of Utilitarianism. He argues that we will, in the near but unspecified future be able to avoid completely subjective preferences and self-reports through fast-advancing MRI technologies which will allow us to measure pleasure and pain directly and objectively without every needing to actually consult the reported testimony of human beings. (See *Science Can Answer Moral Questions* (2010) at [Bing Videos](#).) It is also perhaps the reason why Jonathan Haidt, a contemporary social psychologist clearly interested in issues related to values, has abandoned the term altogether and replaced it with what he calls “innate, modular foundations” (2012) thus seemingly removing the need for fallible human choice.

“Value” expresses a relationship that a person or group has to others or to the environment... Values link people to one another by creating and encouraging commonly shared relationships and experiences. Value as relationship thus takes on a social or sociological meaning, as contrasted with the psychological definition of value as personal belief. (Frederick 1995, 17)

Frederick also points out that values are experimental in nature. “Values are derived from human experiences that directly and importantly affect our lives. Values emerge from these life-affecting processes” (Frederick 1995, 18).

Are the above attempts at lessening the sting of subjectivism by broadening and more carefully defining values of real help? I believe so. Hartman’s observation that values are not just knee-jerk reactions to problematic situations but are based on self-reflection and an ability to deliberate on one’s own values suggests a second order of judgment beyond one’s immediate first order reaction or instinct, thus clearly distinguishing the choice of human values from the choice of ice cream flavors. For a fuller discussion see Frankfurt’s much cited 1988 article on second order desires or volitions and Charles Taylor’s 1985 description of “strong evaluations.” Taylor, for example, writes:

the strong evaluator has articulacy and depth which the simpler weigher lacks. He has, one might say, articulacy about depth ... Strong evaluation is not just a condition of articulacy of preferences, but also about the quality of life, the kind of beings we are or want to be. It is in this sense deeper.

I take Taylor to mean that “strong evaluation” is not just about arbitrary preferences unrelated to one another, but preferences need to be justified, at least to oneself, by invoking a much larger and deeply held narrative “about the kind of beings we are or want to be.”

Self-reflection is a process one can begin to examine for themselves by paying closer attention to how one chooses and implements values in real life. This is certainly something that might be encouraged among students by having them journalize and reflect on how they experience real-time decision-making. Is there a core underlying narrative which connects disparate values in a coherent way or are values invoked one at a time as problematic situations arise, with little or no thought to what connects one’s values to one another.

Frederick’s notion of “value as a relationship” calls for not just individual self-reflection but for dialogue among affected parties and, at least, an attempt to approach intersubjective agreement. This can only happen by being accountable for one’s values and actions, by providing good and convincing reasons to one another, subject to public scrutiny, for adopting the specific values in question. The need for intersubjective agreement also provokes questions about the existence of meaningful patterns of values. Or, alternatively, is accountability achieved merely on a case-by-case basis method?

Finally, and most importantly, the values one uses in VBDM are provisional, at best. This means that over time and through experience values evolve and improve based on the feedback contained in the actual outcomes of using particular values.