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One Meaning of Success: A Marriage of Economics and Ethics*

(成功的意义：经济与道德的结合)

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Foreword

In part, these pages are for a philosophical audience. But the approach in them is not common in that field's professional publications. For one thing, the paper draws information about current economic policies, and events that followed from them, from newspapers and magazines, speeches and interviews. My first reason for taking this approach is to describe how an awareness of certain positive ethical values is likely to arise when an urgent social problem is present, and that conditions may then be favorable for the promotion and practice of those values. As a concrete example, the paper focuses on the fiscal crisis that emerged in the fall of 2008. My second reason is to point to opportunities thereby open to philosophers for their own uncommon but still professional actions. During such times, philosophers have unique talents for identifying ethical issues embodied in economic and political policies and behaviors, even though for a time most of the principal players may be unaware of those issues. Reading the signals of a crisis and opinions about it in public sources, philosophers can gain a perspective that may differ from that in official pronouncements about the crisis. That perspective in turn may reveal to them a service they can provide to the public (voters, investors, stakeholders). Philosophers can show those citizens how less familiar values at play in the crisis actually have a crucial role in fostering or damaging values that people already know and cherish, and that they may wish to defend. As someone interested in workable ethics, I think there is a legitimate place for some philosophers publicly to identify and explain the ethical matters raised by such a crisis. I will describe below the other aspect of my approach: drawing information from some of the new sciences.

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Introduction

During her campaign for the U.S. presidential nomination, Hillary Clinton said that, "There is a moral imperative to ensure that quality affordable health care is available to all Americans." President Obama's economic adviser, Lawrence Summers, also said that such care is "a moral imperative."[1] In the winter of 2008, months into the crisis caused by the burst of the U.S. home ownership bubble and the failure of many financial services companies, the columnist Thomas Friedman wrote,

> The Madoff affair [a pyramid fraud of over $50 billion dollars] is the cherry on top of a national breakdown in financial propriety, regulations and common sense. Which is why we don't just need a financial bailout; we need an ethical bailout. We need to re-establish the core balance between our markets, ethics, and regulations.[2]

The previous month, in criticizing the conservative view that private greed has good public consequences, the Nobel-prize economist Paul Krugman had cited Franklin Roosevelt's second inaugural address, "We have always known that heedless self-interest was bad morals; we know now that it is bad economics." Krugman continued,

> And right now happens to be one of those times when the converse is also true, and good morals are good economics. Helping the neediest in a time of crisis, through expanded health and unemployment benefits, is the morally right thing to do; it's also a far more effective form of economic stimulus than cutting the capital gains tax.[3]

All of these are powerful words, but none of those who now advocate this marriage of economics and ethics have given us much help in knowing what is the content of the moral imperatives that should be bound up with economics. To correct this deficiency and provide some of the content for what is desirable and necessary in ethics, to combine with economics, is the point of this talk. Unavoidably, and with apologies to a philosophical audience, I must spend some time on the core features of the financial crisis.

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[1] Lawrence H. Summers, "The Economic Agenda: Challenges Facing the Next President," *Harvard Magazine*, September–October 2008, http://harvardmagazine.com/2008/09/the-economic-agenda.html

[2] Thomas Friedman, "The Great Unraveling," *The New York Times* (hereafter *NYT*), 17 December 2008, p. 29.

[3] Paul Krugman, "The Obama Agenda," *NYT*, 7 October 2008, http://www.nytimes.com/2008/11/07/opinion/07iht-edkrugman.1.17624497.html?_r=1&scp=3&sq=%22The%20Obama%20Agenda%22&st=cse

But then I will turn to what philosophers East and West can contribute to its correction. In so doing, I will use an approach that also constitutes one new direction in philosophy. Thus Chinese philosophy may consider as one of the new global directions, the healthy movement that draws information from evolutionary psychology and those cognitive neurosciences that are relevant to ethics. Beside my own work, some other scholars associated with this movement as it applies to Chinese philosophy are David Wong of Duke University, Edward Slingerland of the University of British Columbia, and Hagop Sarkissian of the City University of New York. I do not mean to imply that an approach must be "new" to have great significance. Philosophy is not like a commercial product such as soap that must be new and improved in order to have an audience. There is much wisdom also in earlier directions in philosophy.

The Economic Model

The popular operational economic principles found in the United States at the time of the collapse of 2008 included these items. First, short-term material profit was the operational standard of success for most corporations and many other organizations, when the executives did their periodic P and L (profit and loss) examinations. I emphasize "short-term." When I was here at the Chinese University of Hong Kong in 2006 as a Tang Junyi Visiting Professor, I criticized this practice, saying, "While deserving of attention, this standard [the popular economic standard of success] alone ignores whether a policy, idea, or product is beneficial or not to the public, particularly taking a long-term perspective." The corporate ritual of a quarterly performance review of everyone from managers to CEOs also reinforces the short-term view. Those employees with below average earning results for the company in the quarter under review may be fired. There are also short-term attempts to cause a rise in a stock's prices.

Another factor promoting short-term interest at the popular level was the retail distribution and ownership of equities among ordinary Americans, culturally manifest in the growth in the 1990s of "24 Hour Financial News" in outlets such as CNBC and Bloomberg. As a historical matter, from 1860 to 1930, the state laws that authorized people to conduct business as a "corporation" actually prohibited such businesses from considering matters other than the legality and profitability of their corporation. Then corporations were small and had few shareholders. Such a position was not appropriate for the evolving large multi-state or multi-national conglomerates with thousands of shareholders that we know today. Gradually, after the U.S. depression and World War II, the doctrine softened. The watershed 1953 case was A. P. Smith Manufacturing Co. vs. Barlow. The New Jersey Supreme Court upheld a gift by the company to Princeton University, arguing that shareholders would benefit because it would bring goodwill to the company. By the beginning of the 21st century, the profit maximization norm had been relaxed, and, as some changes in corporate governance took place, the serious discussion of long-term social benefits began to occur.[4] Today, many believe that social goals enhance profitability in the long run. Those in charge of marketing and branding believe so. The short-term perspective plays into our human weakness of will or motivational preference for short-term benefits that may end up being harmful, rather than long-term results that are more difficult to calculate.

To the degree that a corporation is isolated from the community containing its offices or factories, it may get away with ignoring the long-term outlook. That outlook usually includes impact on a community or community social benefit. In the summer of 2002, the board of the Hershey Trust that had a controlling interest in Hershey Foods acted on a decision about which the community in Pennsylvania, where Hershey Foods is based, was not consulted. The board had decided to sell the entire company to Wrigley. This was contrary to the founding wishes of Milton S. Hershey, for his wealth to be used "for a purpose of enduring good." Among other things besides jobs, the community depended on the company for funding a school for the disadvantaged, and for the maintenance of the spa, hotel and gardens that brought many tourists to the town. The reaction of the community was so negative and widely publicized, that the board repudiated its own plan. In the end, for many who follow news about the corporate world, the case revealed how cooperation between community and company, including a concern with long-term social benefits, can create a win-win situation for all. Indeed, this happened. An evolutionary psychologist who had studied chimpanzee behavior could have predicted this outcome for cooperation among human mammals, having learned how it works for chimps.

Second, in private institutions or in government agencies, it was not one of the priority responsibilities for the leaders to provide accessible factual knowledge to stakeholders (shareholders, employees, local community citizens) about the financial instruments in which they or the company invests. Nor did many large institutional investors, such as pension funds, demand that factual information, as their fiduciary duties would have suggested. They had far more ability to be informed than did individual investors. Many ordinary people invest through a mutual fund and rely on the judgment of fund managers, whose interests may be different from their own. The phrase "factual knowledge" concerns magnitude of risk of the

[4] Donald J. Munro, *Ethics in Action* (Hong Kong: The Chinese University Press, 2008), p. 4. I am grateful to Professor William W. Sihler of The Darden School [of Business], The University of Virginia, for information about the quarterly performance review. Sihler also discusses the origin of asset-backed securities, later called derivatives, in Richard D. Crawford and William W. Sihler, *The Troubled Money Business: The Death of an Old Order and the Rise of a New Order* (New York: HarperBusiness, 1992), p. 167. I am especially grateful to Douglas Hollowell for explaining to me the evolution of and eventual softening of the early state focus on profitability. On the more recent relaxation of the norm of profit maximization and opening of a place for social benefits, due to changes in corporate governance, see Kent Greenfield, "Using Behavioral Economics to Show the Power and Efficiency of Corporate Law as Regulatory Tool," 8 July 2001, Boston College Law School Research Paper No. 2001–06, http://ssm.com/abstract=276168. Long before this, about half of 82 large corporations studied treated social responsibility as one of their goals. See Y. K. Shelty, "A New Look at Corporate Goals," *California Management Review* 16.2 (1979): 71–79.

investment paper sold by a company. Simply put, if the company was insuring an activity or enterprise with risks that were known in some degree, it did not clarify whether or not it had the money to sustain the value it assigned to the risk, in bad times or good. “Risk” refers to the future value of the paper being sold or insured and to the future well-being of the individuals who buy it. In the long run, it also refers to the well-being of society and the environment. Instead, if there were default positions, they were either toleration of ignorance or policies of secrecy.

One institutional reason for public ignorance of risk was caused in 2004 by the federal agency in charge of regulating bank risk, the Securities and Exchange Commission (SEC). It permitted large investment banks to raise by a huge amount the ratio of their debt to their equity (up to at least 30 to 1). The SEC did not publicize the enhanced risk to ordinary investors.

But there were several other reasons for the toleration of ignorance. One was the generally obsessive love affair with debt that has characterized American society over the past quarter century, which meant it was socially acceptable to accumulate and then disregard debt. One causal factor was the decline in the American industrial and manufacturing sectors beginning in the 1960s and 1970s, resulting in a lower GDP. During the 1980s, the Reagan administration sought to make up the lost GDP by increasing consumer spending on goods and services through easily accessible consumer credit. The contrast between the negligible savings of individual American families and East Asian families is striking. No wonder that in going into debt, the U.S. government borrows primarily from Asians and the Middle East, rather than from its own citizens. And the Bush administration’s own disinterest toward debt was known around the world. Of course, although there is no lack of family savings in China, the lack of transparency in laws governing economic matters is a problem there too, and it also contributes to ignorance. Another cause of the American toleration of ignorance was the complexity of the investment instruments involved in the debt. In many cases, these were packages of mortgages or of slices of mortgages (“tranches”) having varying degrees of risk and bearing varying interests, which neither regulators nor rating agencies understood. Yet another reason for tolerating ignorance was the desire of professional financial people and regulators not to rock the boat of Wall Street, thereby endangering their own career possibilities. In the future, they might want to work there.

A third economic principle operative before the collapse concerns assumptions about human nature and human psychology. Executives claimed to know (or assumed that they knew) all that was necessary about human nature and society, and in consequence supposed that there was no need for them to look for new facts or challenge their own assumptions. A principal assumption was that private self-interest will automatically benefit society as a whole.[5] Adam Smith's idea of an invisible hand that keeps a balance between self-interest and public good, is one source of this archaic idea. Many high officials, including the former Federal Reserve Chairman Greenspan, were influenced by the Ayn Rand position on the pervasive legitimacy of self-interest. The other main assumption was that there are mathematical rules that can always predict future human choices. "Always" means that the mathematicians or physicists (called "quants") did not believe they needed to change their formulae to account for new information on risks and liquidity. In particular, heads of financial institutions assumed that most buyers would continue to choose to pay top price for houses, the expansion of the housing market would endure indefinitely, and that large scale defaults were therefore not to be feared. But assumptions such as these were not well warranted, not sound, and not universally applicable. One core problem was that, as a statistical matter, mortgages usually have a 3% default rate. The quants assumed that if a bank bought enough of even "non-investment grade" bonds to have the statistically relevant size (say, 25,000–30,000 individual mortgages), then that bunch of bonds could have a triple A rating. In the end, the former Goldman Sachs quant and current Columbia University professor Emanuel Derman, summed it up this way: "Recent events have invalidated all of the models we had."[6]

Foreknowledge

By examining information gleaned from the new sciences, I will identify an ethical value, "foreknowledge" (*qianjian* 前见). This is a knowledge of risks and advantages that facilitates any good choices by individuals and groups. It is knowledge based on factual information about the consequences of choices (risks and benefits) for our core values. Among these core values are health and psychological well-being. It is *not* prognostication or fortune telling based on the finding of *signs* for fortune telling or reading the future.

Foreknowledge is not as common to most people as the values they learn early on in families, churches, or schools: the equal worth of all human lives ("all men are created equal"), fairness, trust, care of kin, and respect. But it is essential to realizing most of them. This is especially true of an individual or group's health and psychological well-being, on which their lives depend. It is a requirement for truly wise choices about our bodies and resources, and those of our families and communities. This role of foreknowledge is the justification for governments' duty to provide muscle through laws to ensure that people have access to such factual information in many aspects of their lives. The laws should be backed

[5] Peter Steinfels, "Economics: The Invisible Hand of the Market," *NYT*, 25 November 2006, http://www.nytimes.com/2006/11/25/us/25beliefs.html?scp=1&sq=%22Economics:%20The%20Invisible%20Hand%20of%20the%20Market%22&st=cse

[6] Steve Lohr, "Modeling Risk, Financial Engineers Didn't Account for Human Factor," *NYT*, 5 November 2008, pp. 1, 5. Emanuel Derman is quoted in the very informative article by Dennis Overbye, entitled, "They Tried to Outsmart Wall Street," in *NYT*, "Science Times," 10 March 2009, pp. D1, D4.

up by criminal or civil sanctions. In the financial world, the laws may be embodied in regulations about degree of permissible risk that institutions may undertake for items they insure or sell, and requirements for that information to be transparent.

Humans are universally capable of foreknowledge. When sought, it is a value with evolutionary advantages for humans in a wide range of life circumstances. To call it an ethical value flags the fact that there is an imperative on all parties to act and honor it. In the end, the cooperative behavior on which society's health depends is grounded upon foreknowledge because only with such knowledge may a person exercise that foresight about which choices lead to life benefits and which lead to dangers.

I am a non-traditional utilitarian. I judge choices and acts by their consequences, namely joy and suffering. These are the ways in which the body manifests health and well-being. Unlike traditionalists, I do not advocate quantitative calculation of joy and suffering; I am content with the informal and probabilistic, educated choices available when information is accessible. To treat health and well-being as part of an ultimate standard for evaluations has a distant cousin in the reference by some Confucians, including Tang Junyi, to treat honoring the production and reproduction of life (*sheng sheng buyi* 生生不已) as a Heavenly goal.

Foreknowledge comes about through the neural networks involved in learning. At the cellular level, learning involves strengthening synapses. Genes design the neurons, and each one has about 70 synapses connecting it to other neurons. The brain causes dopamine neurons or cells to react to bad predictions of the future with surprise and to flag positive outcomes. Learning occurs here and is part of the process of making and revising choices. Making choices is something our brains have evolved to do over a long course of time. We can change beliefs and make new choices as a result of what we learn, including information in our culture or social environment that affects our foreknowledge. In a summary example of what is involved, two evolutionary biologists say that learning influences evolution and evolution influences learning. For instance, "…individuals that learn to predict during life also improve their food-finding ability during life."[7]

One of the basic human desires rooted in biology is foresight about the consequences of our acts. This is combined with a desire for some control over our resulting choices. The source is the biological instinct to avoid injury and achieve a positive result, achieved by being alert to good and bad choices, such as which path in the forest leads to water and which leads to predators. It also involves the ability to devise creative responses to danger. All of these illuminate the fact that foreknowledge plays a role in human self-preservation, a very great evolutionary advantage. In the words of the brain scientist Antonio Damasio,

[7] Stefano Nolfi and Jeffrey L. Elman, "Learning and Evolution in Neural Networks," *Adaptive Behavior* 3.1 (1994): 5–28.

> Eventually, in a fruitful combination with past memories, imagination, and reasoning, feelings led to the emergence of foresight and possibility of creating novel, non-stereotypical responses.[8]

Foresight about other people's intentions involves mirror neurons. Mirror neurons are subsets of neurons in the brains of humans and monkeys that react when an individual does something, or when she looks at another individual doing something. We see someone yawn, and we yawn. They facilitate imitation. Mirror neurons give the observer an immediate internal comprehension of the other individual's inner experience, including intention and emotion. The Italian neuroscientists who first discovered the brain's mirror neurons have discussed their probable role in our ability to foresee the intentions of other people. By grasping the emotional content in their choices, we can often predict their choices. Herein lies an evolutionary advantage. As Giacomo Rizzolatti says,

> Indeed, emotion is often a key contextual element that signals the intent of an action. That is why we and other research groups have also been exploring whether the mirror system allows us to understand what others feel in addition to what they do.[9]

Or, as the biologist Marc Hauser puts it,

> And in humans, at least, these social relations often depend upon the development of a rich sense of self, empathic concern for others, and the ability to generate predictions about others' states of mind without any direct experience of their behavior.[10]

The ability and desire for foresight ultimately has come to be, as an evolutionary outcome, part of our nature, hard wired in our brains, as revealed in Steven Pinker's words,

> The faculties underlying empathy, foresight, and self-respect are information-processing systems that accept input and commandeer other parts of the brain and body.[11]

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[8] Antonio Damasio, *Looking for Spinoza: Joy, Sorrow, and the Feeling Brain* (New York: Harcourt, 2003), p. 80.

[9] Giacomo Rizzolatti, Leonardo Fogassi, and Vittorio Gallese, "Mirrors in the Mind," *Scientific American* 295.5 (Nov. 2006): 59–60.

[10] Marc Hauser, *Moral Minds: How Nature Designed Our Universal Sense of Right and Wrong* (New York: Ecco, 2006), pp. 214, 313.

[11] Steven Pinker, *The Blank Slate: The Modern Denial of Human Nature* (New York: Viking, 2002), p. 166.

With the addition of what we learn from our environments, from culture, and from other information sources, foresight can move from being only a gut instinct to being an informed insight. Sometimes our foresight is mistaken. But with information and experience, it can have a rich cognitive content, or true beliefs, about what conditions are most likely to lead to risk reduced, positive choices. For example, in the buying of financial derivatives (see below), our gut instinct is to rely on and accept the evaluations of public authority figures, as a short cut to personal investigations. An example would be relying on the credit rating of a derivative by a company like Moody's that does rating professionally. But if we learn that the credit rating agency is paid by the very company planning to sell some derivatives, we might correctly add to our decision process that that agency had a conflict of interest, quite possibly causing it to give a top grade without evidence warranting it.

In the context of this essay, I will identify foreknowledge as a guideline for corporate behavior and for bureaucrats in the oversight agencies, such as the Securities and Exchange Commission in the United States. It is foreknowledge, where reference is to a knowledge of risks and advantages faced by investors, whether individuals or huge pension funds. Ever since *Glaznost* in Russia, the term "transparency" has often covered some but not all of the same ground for which I use foreknowledge, though with special application to politics and corporate behavior. Obviously, there are also many other values involved in or affected by the financial crisis. These include the ultimate and better known "equal worth" of all people, including future generations. This is one basis for providing universal health care, as a top claim on limited government financial resources. Another is "trust," violated when financial companies and government oversight agencies fail to honor fiduciary responsibilities to investors. Trust also has an evolutionary basis in biology, making ignorance or disregard of it a serious matter.[12]

Foreknowledge of risk is a profound good for the individual and for groups, including government leaders. For individuals, it enables them, if they wish, to make the best choices concerning their assets. For groups, because there will always be arguments about risks, it promotes a variety of opinions and action plans to deal with them. As we know from the sciences, such variety often promotes the success of the best proposed plans.

Much of the crisis in the financial world has revolved around the existence of "financial derivatives" (*jinrong yanshengwu* 金融衍生物). These are pieces of paper whose value "derives" from something real. The "something real" could be a house, a wheat crop, pork bellies, or a factory product. Invented to shift risk from the real thing onto paper, derivatives are like insurance policies against the value of the real thing sliding downhill. They are bets by the sellers of that insurance that the values would remain stable. Many derivatives contained mortgages on homes and are called "securitized mortgages." Securitization means

[12] Munro, *Ethics in Action*, pp. 27–29.

that lenders sell their loans to an investment bank, which packages and resells them. The first lenders, having sold their loans, were free to make new ones.

So one of the major causes of the economic collapse was lack of foreknowledge among investors about the risks inherent in derivatives. There were a few people who saw this as an evil. Warren Buffet, chief executive of Berkshire Hathaway, called derivatives “weapons of mass destruction,” because no one knew how to understand their destructive risks. In 2003 he said,

> No matter how financially sophisticated you are, you can’t possibly learn from reading the disclosure documents of a derivatives intensive company what risks lurk in its positions. …In Darwin’s words, “Ignorance more frequently begets confidence than does knowledge”.[13]

Of course, given the will to know about risks, it actually would have been possible to learn about them. But this would have occurred only if the executives had been taught or required to treat foreknowledge as a basic ethical and economic value. When the American International Group (AIG), the worldwide insurance company, began to collapse in August of 2008, its executives had no idea of the magnitude of its debt; they thought it might be around 20 billion dollars. But it took a team of outside bankers only 72 hours to discover that it was at least 85 billion, and counting.[14]

The Relevance of Accurate Psychological Information

A number of Western philosophers have denied that there is any meaningful human nature. The late Richard Rorty said (in *Truth and Progress*) that we should stop asking what our nature is and instead ask, “What can we make of ourselves?”[15] Others treat human nature as an abstract, yet essential trait, such as a “pure reason,” “pure mind/soul.” They deduce it from a self-evident truth (for Christians, that we are made in God’s image), known to some people but not to others.[16]

If references by scientists to “human nature” are only a priori or non-experiential statements, then philosophers may ignore them with impunity. But they are not. Rather, the term, as I and many scientists use it, refers to patterns of social behavior and related emotions found in humans and, sometimes, in other mammals. Konrad Lorenz and the Oxford zoologist

[13] John Lanchester, “Melting into Air,” *The New Yorker*, 10 November 2008, pp. 8–83. Also see Eric Dash and Julie Creswell, “Citigroup Pays for a Rush to Risk,” *NYT*, 23 November 2008, pp. 1, 28. My thanks to Professor Sihler for pointing out the original benefits of bundles of mortgages.

[14] Eric Dash and Andrew Ross Sorkin, “Throwing a Lifeline to a Troubled Giant,” *NYT*, 18 September 2008, p. C11.

[15] See Munro, *Ethics in Action*, p. 48.

[16] Thomas Metzger, “Limited Distrust as a Prerequisite of Cultural Convergence,” *The Journal of Chinese Philosophy and Culture*, 3 (Nov. 2008): 48.

Niko Tinbergen were among the first to study patterns of social behavior through biologists' eyes. Neuroscientists study the brain circuitry involved in these predispositions, laid down by the genome. Social scientists may study the differing manifestations of the same tendencies in humans in different cultures, and primatologists study their presence in chimpanzees. Child/care-giver bonding, sympathy/empathy, shame and pride are typical forms of such behavior and emotions.

One of the sources for American financial institutions' ignorance about risk was their inaccurate assumptions about human psychology. That began with the failure to recognize the role of the emotions in human choices. As an example, note that when Wall Street's Ph.D. mathematicians tried to identify rules for predicting choices about home buying, they appear to have been ignorant of the way in which the emotions play a role. In fact, the emotions (as in the passion for an ideal house or for adding a swimming pool) could stretch the individual family's tolerance for risk way beyond a rational calculation of the family's current or future resources, or, way beyond the rules invented by the number crunchers for predicting home buying choices based on a few previous years' activity. Wishful thinking or desire for an upscale house prevailed in the choice to buy or to gamble on the future worth of an added renovation. In contrast, from the early classical period, one of the strengths of the Confucian tradition has been to identify the mutual involvement of what in the West would be called reason and the emotions. There was no assumption that what we would call rationality would operate by itself.

To base choices on an accurate view of psychology requires turning from old assumptions to the new scientific fields themselves. Then, it suggests asking what the scientists have found that is relevant to the issues I have been discussing. The information to create accurate foreknowledge is often there if the motivation exists to demand it.

In sum, although at one point, there were a few important benefits to the derivatives, eventually they were badly abused. As one corrective, I advocate treating the desire for foreknowledge as one of the core, universal human values. Protected by law, the right of stakeholders to it should be enforced by government oversight agencies in China and in the United States. It should be built into the formal guidelines for financial institutions, unless there are good reasons for secrecy, need-to-know practices, or the toleration of ignorance.

A Somewhat Open Door for Ethical Considerations

To identify a core value of interest to philosophers is one thing. To claim that their advocacy of it has any hope of reaching other ears and then being taken seriously is quite another thing. That requires evidence that times have changed, for at least part of the public. The new social climate is one in which, in the United States and, hopefully in China, morality has once again been accepted as an independent subject in public discourse, not simply in religious or academic groups. This somewhat open door is the realm in which foreknowledge waits for a proper public introduction, along with other values that have already entered public discussion (see final paragraph, regarding equal worth, trust, and fairness). But China's situation regarding the specific value of foreknowledge is much more shadowy than that in the United States.

In my opening comments I provided some evidence for the emergence of ethics in the world of economics and politics, rather than only in the sermons of evangelical preachers. U.S. president Obama devoted a chapter to it in his book, *The Audacity of Hope*. In an interview, Mr. Obama spoke of "the whole issue of balancing market sensibilities with moral sentiment."[17]

One of his core values is empathy, about which Chinese and others learned much long ago from Tang Junyi. They can continue to learn more from the findings of evolutionary psychology over the past 40 years. It is one of those values about which the scientific study of the social emotions enriches new directions in philosophy in China and the United States. When tapped, empathy can serve as one of the motives for providing foreknowledge and securing trust.

Within the economic realm, the corporate world is the place to find the doors opening to economics *and* ethics. One of the first to set an example was The Mitsubishi Group of Companies, the roots of that example going back to 1934. The "Three Guiding Principles" (*Sankoryo*) of Mitsubishi were updated in January, 2001. The first guideline is "Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment." The second, "Maintain principles of transparency and openness, conducting business with integrity and fairness." The third concerns taking a global perspective in expanding business. According to the recent chairman of Mitsubishi Group, the first principle is to be understood as "Corporate Social Responsibility" (*shoki hoko*).[18] An elaborate system for day-to-day compliance with these principles was issued by the president and CEO of Mitsubishi, laying out the top/down duties of the different compliance officers.[19]

In recent years, in the United States and in China, there are two key terms under which the discussions of ethics take place. One is "social benefit." The other is "sustainability" (*kechixuxing* 可持续性). The term "sustainable development" was first popularized by the World Commission on Environment and Development in 1987, where it was defined as development that "seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future."[20] At that time, sustainability referred

[17] David Leonhardt, "A Free-Market-Loving …Wealth Redistributionist," *NYT Magazine*, 24 August 2008, p. 54; and David Leonhardt, "Obamanomics," *NYT Magazine*, 24 November 2008, pp. 30–31.

[18] James E. Brumm, "Modern Interpretations Help the *Sankoryo* Evolve with the Times," *RYOWA*, December 2006– January 2007, pp. 6–9. Also personal letters from former Mitsubishi CEO and now senior corporate adviser, Minoru Makihara, dated 6 November 2006 and 19 September 2008.

[19] "The Mitsubishi Corporation Code of Conduct," internal document, distributed March 2006, by Mitsubishi president and CEO, Yorihiko Kojima.

[20] James G. Speth, *Red Sky at Morning* (New Haven: Yale University Press, 2004), p. 14.

mainly to natural resources and the obligation not to spend down the principal. That is, keep the resources such as water, air, soil, plants, and organisms available for future generations. It became a concern not simply of environmentalists, but also of many scholarly fields as well. For example, archaeologists began to calculate the impact of resource use and climate change on agriculture and social collapse. Sustainability was a way of stabilizing a pre-modern society, neglect was a key to understanding its collapse.

Social Benefit and Foreknowledge in the United States

Gradually in the United States, the content of the word sustainability expanded to include also forms of social benefit, with reference to both current and future generations of humans. The primary focus then shifted to include both natural resources and also the health and well-being of people today and tomorrow. Ethics is encompassed in the latter concern. Unlike in China, many corporations have taken a leadership role in acting on this concern, starting during the years of the Bush administration, which gave little leadership. Outsiders, including some politicians such as former vice-president Albert Gore, and environmentalists have also played roles in promoting sustainability.

The most comprehensive work on it, almost required reading now for executives in many companies, is *The Triple Bottom Line—How Today's Best-Run Companies Are Achieving Economic, Social, and Environmental Success and How You Can Too*, by Andrew W. Savitz, with Karl Weber. The authors define its meaning in the business world: "A sustainable corporation is one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts." They continue to say who those people are:

> Sustainability means operating a business in a way that acknowledges the needs and interests of other parties (community groups, educational and religious institutions, the workforce, the public) and that does not fray but rather reinforces the network of relationships that ties them all together.[21]

So sustainability pays attention to social issues, such as hunger, poverty, education, health care, and human rights—and their relation to profit. The triple pillars of sustainable development are economic, environmental, and social. And it relies on long-term thinking. Tim Sanders, the author of another book with a similar mission (*Saving the World at Work*), has as his theme that a good company is one whose mission is to improve the lives of

[21] Andrew W. Savitz, *The Triple Bottom Line* (San Francisco: Wiley and Sons, 2006), pp. x, xi. See also p. 228 regarding long-term thinking. Pp. 14–19 on Hershey Foods concerns community benefits.

everyone in its footprint: employees, suppliers, customers, supporting communities, and the planet.[22]

Named by *Fortune* magazine as one of the world's most admired engineering and construction companies, the Texas based Fluor Corporation has been in business for almost a hundred years, with many decades of regional experience in Asia, Africa, Europe, and the Middle East. Its chairman and CEO recently wrote,

> As a leader of our industry, we focus not only on such traditional measures of success as profitability, but also on a series of broader measures for doing the right thing. For almost a century, those who founded and built what is now Fluor Corporation have evidenced a strong social consciousness that helps explain the company's duration and success.[23]

The company officially accepts the concept of the "triple bottom line" (TBL) and identifies the principles and practices they follow in some 25 countries. These include combating bribery and corruption, promoting transparency, safe working conditions, and training local citizens to become skilled in the company crafts. Among other well known companies in the United States who adhere to the triple bottom line principles are Johnson and Johnson, the pharmaceutical giant, Pepsi Cola, and Dupont Chemicals.[24]

Part of their executives' duties relate to the value of foreknowledge. Some 750 participating corporations became part of the Global Reporting Initiative (GRI). They issue periodic reports on matters of the environment and social responsibility, dealing with the health and safety of workers and consumers, indigenous rights, corruption, and privacy. Analysts say that the very act of reporting and the transparency involved have acted as a stimulus for behavior change. Among the major consumers of this information when they make choices about their future finances, are huge institutional investors such as pension funds, who control millions of corporate shares, and other socially responsible investors. Much depends on how comprehensive is the information that gets reported.

Reflecting the spirit of the TBL, like a number of American business schools, the University of Michigan Ross School of Business has established an institute to promote "sustainable enterprise."[25] It already has cooperative projects with China and India in which there is a shift from the old model of centralized and capital-intensive industrialization, to a new model that is localized, labor intensive, on-site, and self-organizing. Relying on micro-

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[22] Tim Sanders, *Saving the World at Work* (New York: Doubleday Business, 2008), passim.

[23] http://www.fluor.com/sustainability/Pages/default.aspx

[24] Savitz, *The Triple Bottom Line*, pp. 44, 226.

[25] See "The Green Initiative: Project Description," by the Erb Institute for Global Sustainable Enterprise, The Stephen Ross School of Business, University of Michigan, July 2008, www.erb.umich.edu

credit and green building procedures, its focus is on the rural east, central, and western regions of China.

Social Benefit and Foreknowledge in China

In the post-Mao era, the degree to which China has a welcome mat out for the core value I have been discussing is two-sided. Obviously, different regions differ, as do leaders. For example, the Taiwanese essayist Lung Yingtai 龙应台, who teaches at Hong Kong University recently wrote that in Hong Kong, economic benefit is the core value for all decision-making, and development is the sole ideology. And in 2002, the University Grants Committee of the Hong Kong Government declared that the main purpose of higher education is to ensure the economic development of Hong Kong, with no reference to social benefits or training good citizens.[26]

One protector of transparency and foreknowledge in any country is the law. This is a shadowy situation in China. There are still many secret or "internal" (*neibu* 内部) rules applicable to foreign investments that exist in documents on an administrator's desk, but are not supposed to be known by the lawyers employed by prospective investors. Case decisions are not publicized formally around the country so relevant information from similar cases often cannot be shared.

Some signs of the need to link economics and ethics have occurred in China, but not as prominently as in the United States. For example, Zhang Yue 张跃 is the founder of the very green Broad (*yuan da* 远大) Air Conditioning, and of the company town, Broad Town, outside of Changsha. While making Mr. Zhang rich, his air-conditioning products make natural gas and electric networks less wasteful. Among other things, they use natural salt (lithium bromide) rather than freon, which otherwise would be released into the atmosphere. Freon erodes the planet's ozone layer. In a widely circulated essay, Mr. Zhang uses Vice-President Albert Gore's voice to say that he challenges humans "to choose the establishment of the new moral ideal with higher standards." And in an interview with an American writer, Zhang said, "For years the Chinese government focused only on economic development, but now they say that the environment and the economy should both be stressed…. But really the environment needs to be in first place, and economic growth in fourth ["in fourth" meaning having less priority]."[27]

I look to the Chinese educational system for positive signs that a different door has been opened for social benefit values, including foreknowledge. One is the gradual promotion of a liberal arts education in universities. In June 1995, the Ministry of Education convened a

[26] For the reference to Lung Yingtai, see Ambroise Tesenas, "The Money Pit," *NYT Magazine*, 21 September 2008, p. 42. For the University Grants Committee, see Steward R. Sutherland, *Higher Education in Hong Kong: Report of the University Grants Committee* (Hong Kong: University Grants Committee, 2002), p. 4.

[27] James Fallows, "Mr. Zhang Builds His Dream Town," *The Atlantic*, March 2007, p. 92.

meeting in Wuhan’s Huazhong University of Science and Technology to start “quality-oriented education” throughout China, with a stress in the humanities.[28] This forced into the open the question: should the cultivation of the mind, culture, and character formation be added to the existing stress on professional skills? The answer was, yes. The idea of a common core curriculum assumes the desirability of certain universal value traits to be developed in a well educated person. A renewed place for Confucianism in schools and in the academic world started being cultivated in the 1980s and has continued. From one standpoint, that movement may have similar humanistic aims. It is reflected in the state sponsored project on “The Confucian Canon,” and the establishment of Schools of Confucian Studies. Even within the academic world, the interest in “internal transcendence” also continues the traditional concern with the cultivation of the mind.

However, from a different standpoint, this movement may have dangerous consequences. In early China, there was a difference between philosophical Confucianism and state Confucianism. In the case of the former, represented by Mencius and others, the interest was inquiry into human nature, and the chief values included humaneness (*ren* 仁) and filiality. In the case of state Confucianism, first found in the Former Han dynasty, the interest was in Confucianism as a means of political unity, of everyone thinking the same (*dayitong* 大一统), and the chief value was loyalty (*zhong* 忠) to the emperor. Similarly, today, if Confucianism is studied and taught as a unifying state ideology or as a tool to promote nationalism, this would be an improper use of it, in the viewpoint of those who regard philosophical Confucianism as one treasure in Chinese culture. Philosophical Confucianism involves some thought and inquiry about human social behavior and related emotions, not rigid orthodoxy

Conclusion

I have been arguing for a marriage between economics and ethics, given the new findings of the cognitive and evolutionary sciences. Marriage may be the wrong word, as the ethical perspective can be applied in most professional fields. In any case, such a relationship involves treating social benefit as a standard of success on a par with and necessary for long-term profit. One of the first challenges someone could make to me is: Profit can be quantified. How can one measure social benefit? Would this not confuse any organization’s goals?

Many, but certainly not all social benefits, can be measured to levels of high probability. These can be: the reuse of waste, the health and safety of workers, litigation costs, and a company’s impact on the stability of local communities. One might also look at evidence offered to demonstrate that the share prices of companies that adhere to sustainability guidelines have out-performed other indexes.[29] In the United States, Wal-Mart started to

[28] Cao Li, “Rehistoricizing Liberal Education in China,” talk at the University of Michigan, Institute for the Humanities, November 2008. She is deputy director of liberal education at Tsinghua University in Beijing, and also professor of English.

[29] Savitz, *The Triple Bottom Line*, pp. 14, 65–76.

adopt an environmental sustainability program in 2005, after its stock price fell about 20 percent. It had a bad "image" problem then. Recently after the changes, its stock price has soared and its green store practices have saved huge amounts of money. Its CEO, H. Lee Scott said,

> As businesses, we have a responsibility to society. Let me be clear about this point. There is no conflict between delivering value to shareholders, and helping solve bigger societal problems.[30]

Some aspects of social benefit are fairly intangible, such as morale, though they might also contribute to increased efficiency and profit. Here the door is open to suggestions about how to describe the impact.

For some values, you know it when you feel it. This applies to trust, lost by so many around the world for the governmental and financial services leaders whose ignorance of and disinterest in such a value as foreknowledge, plunged us into our current crisis.

As is so often the case with core human values, many are mutually involved. At the beginning I mentioned "foreknowledge" and how it is conducive to honoring the more well known "equal worth of human lives," by promoting health and well-being.[31] It also promotes the more familiar value of trust. Trust is a societal value essential for the stability of non-coercive relations between stakeholders in a company and its executives, and in government between the leaders and the led. That is why I advocate the inclusion of these ethical values in the content of a new economic model. This model combines economics and ethics.

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[30] Stephanie Rosenbloom and Michel Barbaro, "Green-Light Specials, Now at Wal-Mart," *NYT Business*, 25 January 2009, pp. 1, 5.

[31] Equal worth is based on such shared traits as these: (1) in their genomes, humans share 99.9% of the same chemical compounds, called nucleotides (that still leaves 3 million chemical bases for our differences), (2) the common human quest for healthy survival and well-being, experienced as joy and the absence of suffering, (3) and language, by which they can refer to intentions and emotions. Equality is linked to "fairness," in that access to clean air and water and health care should be shared by all. Equality is related to "reciprocity" in that part of the meaning of "fairness" is equal sharing. Acting with "fairness" involves cooperation, in order to generate the conditions for common clean air and water and general good health. Finally, "trust" is based on positive expectations of predicted intentions or behavior of others. It emerges when one or more persons, based on their level of foreknowledge, expect others to honor (reciprocate) an exchange of benefits (to honor the trust). See Munro, *Ethics in Action*, p. 28.