

Questioning Self-Interest: Addressing the Hidden Moral Impact of Management Theory and Education

Self-interest and greed as an unintended outcome of management education

Long Wang - City University of Hong Kong

August 10 2013

Prevalence of self-interest and greed

- High profile corporate scandals have kept making headlines: (Bernie Madoff, Dennis Kozlowski, Jeffrey Skillings, Ken Lay, Bernie Ebbers, among many others)
- Economics language matters (Ferraro, Pfeffer & Sutton, 2005)
bad management theories can destroy good management practices (Ghoshal, 2005; Pfeffer, 2005)
- Managers and leaders with heavy economics-oriented training may feel that it is their job to relentlessly pursue organizational and individual self-interest (Ghoshal, 2005).

Assumptions in Economics

- **Edgeworth** (1881): "The first principle of Economics is that every agent is actuated only by self interest."
- **Adam Smith** (1776) *The Wealth of Nation*
- "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest."
Good emerge as a byproduct of selfishness; pursuing self-interest promotes the interests of the society more than via benevolence"
- Benevolence is not an honorable economic motivation because "nobody but a beggar chooses to depend upon the benevolence of his fellow-citizens."

Assumptions in Economics (cont.)

- “The main impact of *The Wealth of Nations* was to establish a powerful economic justification for the untrammelled pursuit of individual self-interest.” Hirschman (1977; 100)
- Milton Friedman (1962): “The only social responsibility of business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.”
- Oliver Williamson (1984): (agents put their self-interest before their principals’ by engaging in) “the full set of ex ante and ex post efforts to lie, cheat, steal, mislead, disguise, obfuscate, feign, distort and confuse” (p. 198).
- Summary: little if any attention to ethics, but the forces of self-interest can enhance social prosperity – tension. (Sen, 1987)

Does Studying Economics make us too self-interested?

- Marwell & Ames (1981): Economics graduate students contributed only 20% of their resources to their group and were more likely to free ride than any other group of subjects.
- Carter and Irons (1991): In ultimatum games, that economics students accepted less and kept more than other students
- Frank, Gilovich, & Regan (1993): Repeated study of economic models encouraged self-interested behaviors: economics students were less cooperative than others on a variety of measures (PD games/ helping).
- Rubinstein (2006): Economics students are more likely to pursue profit maximization than other students.
- Frank & Schulze (2000): economics students tend to be significantly more corrupt than others, which is due to self-selection rather than indoctrination.
- Frey & Meier (2003): “political economists (to use the classical term) are not more selfish than the average student, but students of business economics are” and that “[the] higher level of selfishness of business students is due to self-selection, not indoctrination.”
- Bauman & Rose (2011): there is a selection effect for economics majors, who are less likely to donate than other students, and that there is an indoctrination effect for non-majors but not for majors
- Wang, Malhotra, & Murnighan (2011): Economics students are greedier than other students and indoctrination matters

The unintended effects of economics education

- Self-interest and greed are dual (Wang & Murnighan, 2011): On the one hand, greed can help drive economic growth (Hume, 1739/2001; Smith); on the other, it encourages immorality and societal injustice (Plato).
- Greed is reprehensible: it stimulates rather than sates, creating a vicious cycle of extravagant, insatiable desire to procure.
- The basic logic of capitalistic economics, to maximize one's outcomes, makes it difficult to clearly delineate basic self-interest from overindulgent greed.
- *Economics education helps to legitimize self-interest and greed:*
“The noblest of human motivations is greed. I don't mean theft, fraud, tricks, or misrepresentation. By greed I mean people being only or mostly concerned with getting the most they can for themselves and not necessarily concerned about the welfare of others.” Walter E. Williams (2000).