The Heinz Company case (1981) was one of the early classics in the field of business ethics. The case focused on how the management incentive plan at Heinz affected internal financial reporting. Mid-level managers eager to maximize their bonuses ended up cooking the books internally which ultimately cooked Heinz’s books externally. An external review of Heinz’s financial practices found other problems mentioned in passing in the case. Heinz’s StarKist subsidiary “acted as a conduit” facilitating “a fish purchase involving two other companies” in one case, and in a second received checks from a fish supplier and endorsed them to a US subsidiary of the same supplier. Perceptive students would ask “What is going on?” “Why is Heinz being so nice to these other parties?” The answer becomes readily apparent in reading Raymond Baker's *Capitalism’s Achilles Heel: Dirty Money and How to Renew the Free-Market System* (2005): StarKist was assisting with common forms of money laundering.

There are many types and forms of money laundering. Baker prefers the term “dirty money” which he defines as “money that is illegally earned, illegally transferred or illegally utilized” (p. 23). He identifies three forms of dirty money: criminal, corrupt and commercial. Examples of commercial include the types of practices occurring in the Heinz case such as tax evasion and hiding the identity of parties in interest. Corrupt dirty money derives from bribery and theft by public officials, while criminal includes the proceeds of slave trading, securities fraud, prostitution and the financing of terrorism.
Baker, a Senior Fellow at the Center for International Policy who has been a guest scholar at the Brookings Institution, spent many years as a businessman in Nigeria. He has extensive hands-on knowledge concerning how the dirty money phenomenon (DMP) actually operates. He has studied the impact of the DMP for many years and has testified on the subject, including before the U.S. Congress. The book makes clear that he is pragmatic, a believer in capitalism and, ultimately, a person with a strong social conscience highly sensitive to the human impacts of economic phenomena.

Surprisingly little has been written on money laundering or other forms of the DMP in $BEQ$. This may be in part due to the fact that these topics may be seen as technical, arcane topics of interest only to financial specialists. But if Raymond Baker is right, the issues discussed in *Capitalism’s Achilles Heel* are central to the business ethics endeavor. Baker argues with passion that the DMP has serious implications for human rights in that it funds many of the abuses condemned by normative theories. Further, Baker asserts that the DMP is a major contributor to the great disparities of wealth found among and within nations. Perhaps the most controversial position taken in the book is that utilitarian philosophers and business school faculty have helped create a social and economic environment conducive to the massive diversion of resources from the poorest people on earth to the most wealthy. The DMP as portrayed by Baker is a converse Rawlsian arrangement in which polices and processes consistently favor those who are the best off at the expense of those who are worst off.

This essay (1) briefly explains the core themes and objectives in the book, (2) evaluates the book in the context of teaching business ethics at a business school, and (3) concludes by offering an overall assessment of *Capitalism’s Achilles Heel*.

I. Core Themes and Objectives of Capitalism’s Achilles Heel

*Capitalism’s Achilles Heel* combines impassioned advocacy with detailed factual analysis. Some points are explicitly made time and again, while others are more indirect and subtle. Six core themes and objectives relevant for $BEQ$ readers are highlighted.

A. Educate the Reader Concerning the Details of the DMP

Baker describes in head-spinning detail the processes and strategies enabling money laundering. The specific descriptions coupled with numerous actual examples caused one reviewer to express concern that *Capitalism’s Achilles Heel* and a similar book might “become training manuals for budding money launderers” (Partnoy, 2005) in spite of the authors’ noble intentions. Most strategies described involve some form of mispricing allowing the variation between real and ersatz prices to be diverted into personal banking accounts. More elaborate schemes involve the use of dummy trusts and entities concealing the identities of the true parties in
interest. An important, recurring theme is that clever private bankers, lawyers and accountants are available to help with the process and to make sure that the most up-to-date techniques (e.g., the descriptively named “flee clauses” that allow one to relocate assets if the facade is breaking down) are being used. These services may be provided by major, well-known financial institutions and professional organizations; that is, the same firms who hire many of our students!

B. Show That the DMP Diverts Enormous Sums from the Less-Developed Economies to the Most Developed

Baker extensively documents his claim that the DMP results in the diversion of $500 billion annually from the less developed economies to the developed economies. This is in large part due to two interrelated phenomena: wealthy individuals transferring their resources to financial institutions in the developed economies and the theft of public resources by corrupt government officials in poor countries. The developed countries who receive these assets benefit in various ways. Participating financial institutions receive substantial asset management fees on top of their fees for handling the facilitating arrangements. Wealthy émigrés participate fully in the economies of their adopted nations. Baker details his case that outflows total at least $500 billion and then offers a challenge to those who would disagree. Offer plausible alternative figures, he says. If that can’t be done, then accept his numbers.

The implications are staggering if Baker is correct. If the total amount of “foreign aid” from the developed economies to poor countries is around $50 billion on an annual basis, then according to Baker’s account, the ratio between financial aid and dirty money flows is 1-10. For every dollar made available to developing countries through the “generosity” of foreign aid, $10 flows back through the DMP.

The enormous disparity of wealth across the globe is an established fact. What some describe as the top of the pyramid phenomena (Prahalad and Hammond 2002), Baker calls the “great divide.” Those at the thin mini-triangle at the top of the pyramid benefit from the wealth transfers from the poorest nations whose ordinary citizens are mired at the base of the pyramid.

C. Document the Role of Financial Institutions and Professional Organizations in the Operation of the DMP

A recurring, though often implicit theme, is the fact that the DMP would not be sustainable without the active, knowing participation of major financial institutions and other top level professionals including accountants, lawyers and financial advisors. Baker details how the private bankers at Citigroup and Riggs catered to corrupt dictators and politicians such as Pinochet, Salinas and the family of Nigerian dictator Abacha. He describes a vice president of Citigroup giving the white glove treatment to Salinas as their private bank enabled him to open accounts at banks in Switzerland. These units profit enormously from the services they provide.
At the same time, these same institutions oppose any strengthening of laws designed to interdict dirty money. Baker describes how the American Banking Association, Citigroup and JP Morgan Chase all strongly opposed including expansive anti-money laundering provisions in the Patriot Act. Baker derisively describes the limited success of recent attempts by governments to interdict dirty money implying that the enforcers don’t really want to stop it. He attributes this in large part to the financially interested opposition from financial institutions.

**D. Demonstrate that a Pervasive Culture of Utilitarianism Nourishes the DMP**

Baker then discusses utilitarianism in chapter 9, entitled “The Joys of Jeremy Bentham.” His description of utilitarianism and the common objections offered by its critics are relatively straightforward. In chapter 10, entitled “Philosophy Becomes Culture,” Baker makes the controversial factual claim that “[u]tilitarianism has become embedded in the way European and North American societies live, work[,] and think” (p. 312). He traces the incorporation of consequentialist thinking into economics with discussions of the ideas of Sidgwick, Marshall and Pigou. Baker asserts that the outcome has been that concepts of rights and justice have become secondary to desires to produce desired ends, such as maximization of economic output. Baker argues at length that the result has been the subordination of justice to outcomes in economic policy.

When Baker lived in Nigeria during the Cold War he could see from his patio the embassies of the United States and the USSR. He would observe them and wonder which offered the best alternative for poor countries: totalitarian socialism or utilitarian based capitalism. He concluded that “Just as Marxism saps incentive, utilitarianism saps justice” (p. 328) and today suggests that an alternative philosophical grounding must be identified in order for capitalism to realize its full potential as the one system proven to be able to generate great wealth.

**E. Explain the Policy and Political Implications of a Thriving DMP**

Half-hearted attempts to interdict the thriving DMP have important implications beyond the DMP’s role in contributing to global income and wealth disparities. Since the 9/11 attacks, there have been serious escalations in efforts to seize money used by terrorists. There is mixed opinion whether the new strategies have achieved any true success (Warde 2006). Baker is skeptical of the ability of enforcers to control or interdict terrorist money. The system that works so well for corporations, wealthy individuals and corrupt government officials works equally well for terrorists.

Baker argues that the duplicitous bookkeeping generated by the DMP results in cooked books for national accounts. He notes that many international financiers and economists disagree with him arguing that the false claims and entries ultimately balance out one way or another. Baker’s arguments seem plausible on their face. He ultimately requests that research be conducted to determine the reality of the
accounting impact of the DMP. If Baker is right, it is important because he claims that as a result of the cooked books, within-nation income disparity is worse than believed and the rich in developing and transitional economies are richer than they appear to be on the basis of the published economic statistics.

Throughout the book Baker condemns in the strongest possible terms corruption and the DMP. Over the years there have been those who have defended corruption as an alternative price mechanism that naturally evolved to cope with primitive practices and irrational polices in less developed nations. Baker has experienced the impact of corruption up close and personal. As a consequence he doesn’t even want to hear the arguments that corruption has a good side (p. 51).

**F. Make Pleas to Policy Makers and Academics**

Baker wishes to influence policy makers, public intellectuals and decision makers. He does this explicitly through three “memos” written to various groups.

The memo most relevant to *BEQ* readers is addressed to philosophers, economists, political theorists and social scientists (p. 330). He issues a challenge: propose fresh philosophical underpinnings that can serve to enhance capitalism’s contributions to global prosperity. In doing so he asks that consideration be given to the role of utilitarianism in capitalism and the emerging theories of global justice.

A second memo is addressed to Western Business and Banking Communities (p. 205). He challenges them to make the case that the benefits from the illicit flow of money outweigh the costs. He admonishes them to consider the impact that dirty money has on human trafficking, arms dealing, terrorism, poverty and failed states.

The third memo is addressed to the World Bank (p. 276). He asks that they sponsor research internally and through other major global organizations to answer the following questions. What is the total amount of dirty money coming illicitly out of developing and transitional economies? How is it generated and how does it flow? Where does it go? What is the effect on developing and transitional economies? What is the effect on foreign aid?

Through these memos Baker seeks to influence the framing of a new agenda focused on the relationship between global capitalism, money flows, and global wealth disparity and poverty. At the same time, he identifies critical shortfalls in our knowledge about the impacts of the DMP.

**II. How Capitalism’s Achilles Heel Might Be Used in Teaching Business Ethics**

*Capitalism’s Achilles Heel* raises many theoretical and practical issues relevant to a course in business ethics. At the least, the book is an excellent resource for faculty on important issues, and Baker’s ideas deserve mention when those issues are discussed. In addition, portions of the book may be assigned to students. We do
not believe, however, that the entire book could be assigned as a required reading in
an MBA or undergraduate class in business ethics. In the next sections we discuss
the key points of the book relevant to business ethics teaching.

A. Capitalism’s Achilles Heel Stresses the Importance of Philosophical
Justifications for Capitalism

For Baker, understanding the implicit philosophical justifications of an eco-
nomic order is imperative because “Enormous inequalities blithely accepted, even
promoted, cannot exist in an intellectual vacuum. Rampant illegalities regularly
perpetrated by businesspeople and bankers cannot exist in an intellectual vacuum.
Both must be dependent on justifications that have settled into the substructure of
capitalism itself” (p. 280). Baker sees illegality, poverty and distorted philosophy as
“the combined systematic shortcomings that reveal capitalism’s Achilles heel” (p.
16). Accordingly, Baker believes it imperative that business persons, in particular
business school students, study and reflect upon the philosophical justifications
underlying various instantiations of capitalism.

Baker’s overriding message in part III is that philosophy strongly influences
economic reality. Capitalism’s Achilles heel—rampant poverty, illegality, and dis-
torted philosophy—is created by the wedding of utilitarian philosophy to capitalism.
Ultimately, much of Baker’s passion about reforming the free-market system and
conviction about the impact of business decisions on people’s lives in the larger
social fabric derives from his first hand experience working in many international
communities. His views should carry weight because of his role as an experienced
businessman with a pragmatic bent. We welcome Baker’s attention to the role and
impact of philosophical ideas on economic reality and his call for research explor-
ing the philosophical underpinnings of capitalism.

B. Capitalism’s Achilles Heel Focuses on Adam Smith and Utilitarianism as the
Philosophical Underpinnings for Modern Capitalism

Baker begins part III, the treatment of philosophical ideas, with a general discus-
sion of Adam Smith’s history and thought, addressing both the Theory of Moral
Sentiments and the Wealth of Nations. Baker relates that Smith’s moral philosophy
was theoretically grounded in “the interactions that take place continuously between
people” (p. 283). Baker notes that the core of Smith’s philosophy was his “principle
of personal sympathy,” which regulated the actions of persons in society. As Baker
recounts Smith’s ideas, it appears that just as Smith envisioned a market of com-
mmodity exchange, he also envisioned an a priori market of emotional interaction
and exchange. Both markets, however, were to be governed by the same principle
of personal sympathy. As social beings, human beings flourish in a cooperative
society in which people’s interrelations are governed by sympathy and “fellow-
feeling” for others.
Although Smith understood the motivating reality of self-interest, he also recognized the possibility of innate altruism. Baker quotes Smith as saying: “How selfish so ever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it” (p. 284). Given people’s mixed motivations and capacities both for moral behavior and corruption, Smith viewed thinking as though one were an “impartial spectator” or a “well-informed and unbiased person” (p. 284) as a necessary principle of decision making to maintain integrity and justice in everyday interactions. Baker quotes Smith that “Hence it is, that to feel much for others and little for ourselves, that to restrain our selfish and to indulge our benevolent affections, constitutes the perfection of human nature and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety” (p. 286). Baker believes that Smith envisioned that people of such character “would operate the free-market system he laid out in Wealth of Nations” (p. 286). Similarly today, Baker argues that people of character, concerned with principles of justice, are needed to reform and renew the free-market system.

Baker notes that Smith’s idea of an “invisible hand” has inspired much scholarship and argues that this notion was meant to govern local, relational settings. “In other words, Smith may have meant what he said about the invisible hand, but, if he did, he meant it as a potential force in a small community. . . . [H]e [did not] envision that out of his two thoughtful books, so many people would fasten upon just two words in summation of his meticulously drawn analyses of moral philosophy and political economy” (p. 292). Baker notes that Smith uses the term “invisible hand” only twice in his lengthy writings, once each in Wealth of Nations and the Theory of Moral Sentiments. 

Baker also discusses “Das Adam Smith Problem,” that is, how to reconcile “Smith’s view of sympathy [from the Theory of Moral Sentiments] as the great regulatory of human behavior . . . [with] a different motivating drive for economic man—self-interest [seen in the Wealth of Nations]” (p. 293). Ultimately, Baker thinks no conflict need exist between these tensions and argues that “what Smith had in mind was not a mutually opposed set of values, perpetually in disharmony, but instead a coherent system able to function in the day-to-day world” (p. 294).

Baker offers two reasons why Smith’s Theory of Moral Sentiments has historically received comparatively little attention: 1) the Wealth of Nations has “eclipsed” it, and 2) interest in ethics and moral philosophy declined soon after Smith’s death. Baker argues that it was only when John Rawls published A Theory of Justice in 1971 “that moral philosophy and ethical theory again became richly debated” (p. 298) and Smith’s Theory of Moral Sentiments also experienced renewed interest. Baker next turns to a general history of Jeremy Bentham and an overview of his utilitarian philosophy followed by Bentham’s intellectual descendants.
Throughout his chapter “The Joys of Jeremy Bentham,” Baker makes it obvious that he is not among the revelers. After a brief overview of the core principals of Bentham’s thought (“the greatest happiness of the greatest number”) and John Stuart Mill’s additions to his utilitarian philosophy (the addition of quality notions to Bentham’s calculus), Baker delineates six principle objections to their “classical” or “strong” utilitarian philosophy: 1) problematic reliance on the idea that ends often justify means, 2) difficulty of choosing which happiness within society to maximize, 3) insufficient regard for an actor’s intent, 4) commitments and promises considered inconsequential, 5) rights inappropriately neglected, and 6) a problematic principle of selective sacrifice to further the good of society which may result in justification of murder or slavery in certain circumstances. (pp. 309–310). Baker concludes this chapter by lamenting that “Bentham’s philosophy shriveled the influence of Adam Smith’s Theory of Moral Sentiments. Instead, capitalism became linked with the emergent English attachment to utilitarianism and its founding notions of ends, means, maximizing, calculated good, and expediency” (p. 311).

From Bentham and Mill, Baker then passes to their ideological descendents in an attempt to trace what he sees as the increasing and continuing interlinkages of utilitarian thought with capitalism and the eventual “anchor[ing of] these notions into the core of western economic thought” (p. 313). Baker recounts this progression by discussing the contributions of William Stanley Jevons, Henry Sidgwick, Alfred Marshall, and Arthur Cecil Pigou. Summing up this brief chronology, Baker states that “from the late 1700s to the early 1900s, utilitarian philosophy became embedded in capitalism and the utility calculation became embedded in economics” (p. 319). And the result is a world in which “Utilitarianism has become embedded in the way European and North American societies live, work, and think” (p. 312). Baker’s greatest concern with the triumph of utilitarian economic thought is that concerns of fairness and justice become subordinate to considerations of utility.

Baker describes Milton Friedman’s criticism of any approach other than maximizing profit for shareholders and attacks it head on. “Take that sort of reasoning, slowly feed it into business school curricula, wait a couple of decades, and you will get the Enrons and WorldComs and hundreds of other outrages that have damaged the market’s reputation and performance in recent years” (p. 327).

Several of Baker’s claims are questionable on factual grounds. The claim that utilitarianism is followed in some meaningful way by enough managers and policy makers to have a discernible impact is questionable. Although there have been several studies conducted over the years attempting to determine how managers think, there is yet to be a definitive study that makes clear that there is a dominant model that can be characterized in terms of formal philosophy. We suggest that it is just as plausible to assume that many of the bad actors in the corporate scandals and the many apologists for the DMP are egoists, not utilitarians. The bad actors are making decisions solely on the basis of maximizing for their own (or their
organization’s) selfish interests. They are not true utilitarians because they are not sincerely evaluating net impacts on the utilities of relevant groups.

Along the same vein, teaching Milton Friedman in business schools is probably not a major cause of the recent corporate scandals. Scandals have been going on with depressingly regularity since times that predate Friedman’s writings on social responsibility. This is not to say, however, that there isn’t a germ or two of truth in Baker’s claims. Ghoshal (2005) echoes Baker’s claim that business schools played a role in creating the dynamics underpinning the turn of the twenty-first-century corporate scandals. Although Ghoshal cites the pessimistic vision of Friedman, he lists many other ideas that have been taught in economics programs and business schools that may have had a significant, negative influence on the world view of management. These ideas include the assumptions of agency theorists that managers can’t be trusted, that all people are opportunistic, and denial of the validity of moral or ethical considerations. The cast of potential villains goes well beyond utilitarians and classical economists.

Baker is not entirely clear about his view of the nature and relationship between capitalism and utilitarianism. On the one hand, Baker states that “Utilitarianism says to the business community that maximizing is the first order of business. Capitalists take this as justification for an overriding concentration on profit maximization, prior to other considerations. This is my most basic criticism of utilitarianism. The focus on maximizing prior to other concerns is inevitably taken to excess” (p. 326). On the other hand, Baker states, “Utilitarianism found in capitalism a system dedicated to maximizing advantages. Capitalism found in utilitarianism a creed that allowed selective sacrifice and approved ends justifying means” (p. 310). So is utilitarianism the main culprit of the Achilles heel or, instead, are capitalism and utilitarianism in a symbiotic relationship which creates the vulnerability? If the latter is the case, then can capitalism really be renewed?

Baker’s ideas and arguments are provocative and should stimulate dynamic classroom discussions. In order to provide balance, excerpts from *Capitalism’s Achilles Heel* should be complemented with readings from scholars in business ethics. For example, Patricia Werhane (2000) agrees that Adam Smith has been misinterpreted by sociologists and economists alike by their placing too much emphasis on the role of self-interest. But Werhane comes up with a very different answer to the question of why Smith has been so misconstrued. Werhane suggests that there may be some conflating of Smith’s arguments with those of Bernard Mandeville who argued that private vices could be turned into public virtues. But the most likely culprit in Werhane’s view is Herbert Spencer, the founder of Social Darwinism. Under Spencer’s organic view of society the ability to adapt in competition with others becomes key: e.g., the survival of the fittest. The influence of Spencer warped the reading of Smith and ultimately “trickled down into neo-classical economics and into twentieth-century thinking about markets and morality” (Werhane 2000: 192). Werhane offers one of many plausible explanations given for the apparent
corruption of Smith's ideas that compete with Baker's version. Neither Spencer nor Mandeville is mentioned in the index of Capitalism's Achilles Heel.

C. Capitalism's Achilles Heel Sets the Stage for Discussion of Remedies for the DMP Problem

Baker makes a compelling case for the problems resulting from the DMP. The poor are getting poorer and the rich are getting richer. Money from human rights abuses such as prostitution and child porn is easily laundered. Terrorism thrives off the system. Foreign aid seems trivial. Economic numbers may be meaningless. So is there some plausible solution?

Baker offers specific remedies for mitigating the abuses of the DMP. First, he recommends that serious efforts be taken to delegitimize dirty money. Banks shouldn't take obviously dirty money and they should require foreign account holders to certify that the money they deposit is legitimate. No transfers should be accepted from senior elected or appointed officials in developing and transitional countries. Laws should prohibit the use of shell corporations and trusts and similar entities. Exports and imports should be regulated by the same government agencies in order to combat mispricing.

Baker digresses to discuss the important issue of the debt load of the developing and transitional economies. He proposes a Panel of Eminent Persons with membership of people such as Vaclav Havel, Joe Stiglitz, Bono, Nelson Mandela, Mary Robinson, Larry Summers, Mikhail Gorbachev, and Bill Gates to determine what policy should be on debt repayment. Baker recommends reconstituting the World Bank with emphasis on non-economists as executive directors.

After his compelling presentation of the dynamics of self-interest that drive the DMP, Baker recommended solutions that seem highly unlikely and insufficient. They appear to be based upon a sentiment of impossibility. Unfortunately, there is no powerful constituency in opposition to the DMP. The people at the bottom of the pyramid have little effective representation. Those at the top of the pyramid who benefit enormously from the DMP have dominating power to maintain the status quo. Because of these immutable facts, the book is a depressing read in spite of Baker's personal optimism and positive approach.

Baker's seemingly insufficient set of remedies may serve as a foundation for student research projects. Teams of students could be assigned to identify and analyze potential solutions beyond those mentioned by Baker. These potential solutions could be presented to and discussed by the entire class.

D. Should Capitalism's Achilles Heel Be Assigned in its Entirety?

We believe that students would find it very difficult to read the entire book. On the other hand, it might work to assign select portions of it. Chapters 1 and 2 set the stage and give a basic idea of how the DMP operates. The introduction to part
II tells the story of Mary and highlights the impact of the diversion of resources from poor countries. Chapter 12 summarizes his proposed solutions while the short chapter 13 provides a general overview and closes with three tipping points that could have an impact on the DMP: (1) the US requiring that foreign money be treated the same as domestic money; (2) the World Bank getting serious about poverty alleviation and (3) college and graduate students understanding the nature and implications of DMP and the reform options available.

### III. Conclusion

*Capitalism’s Achilles Heel* has many virtues. Baker writes with passion and has detailed knowledge of the “on the ground” aspects of the DMP. Even financially illiterate readers should come away with a general understanding of how the DMP works in practice. Baker uses many specific examples which are always interesting and sometimes moving. He tells the story of Mary, the woman who was a nanny for his children in Lagos, the US, and Nigeria, begging him to take her child to the US to escape the tyranny of the Abacha years (p. 208).

On the other hand, Baker is addicted to long lists and sometimes excruciating detail. Chapter 3, entitled “Dirty Money at Work,” is 113 pages long and contains detailed commentary on corruption and the DMP in no less than thirteen countries. At some point the reader is likely to say “OK, OK, I get the point.” The core points in the book are made time and time again.

At times the tone of the book gets in the way of its somber and important message. Baker weaves back and forth between tongue-in-cheek comments and depressing and challenging arguments and descriptions. Examples of sarcastic comments include the following: “The point is, when opportunities become available to suborn a whole government, strike quickly, because even after a century, you never know when they will change their minds” (p. 31); or when describing a fruit exporter using dummy corporations in Latin America: “I would be happy to name it, but many of you might unnecessarily disturb the equanimity of these fine fellows” (p. 34); or describing Raul Salinas using Citigroup to handle his money: “When you’re laundering your money through a really sophisticated bank, don’t commit murder at the same time” (p. 45).

Baker’s arguments have profound implications for the teaching of business ethics. He is part of the growing chorus singing the hymn that business school education in its current form plays a significant role in creating and sustaining the dysfunctional aspects of global capitalism. Many of our business school colleagues would object strongly to the idea that there are any significant weaknesses that can be associated with global capitalism. To the contrary, they would argue that most problems come from an insufficient commitment to capitalism and economic globalization. Further, they would be likely to consider this the golden age of business school education. After all, business schools have become rich and famous, attracting enormous en-
dowments and garnering the best faculty and students. In a sense, they argue that the market validates the performance of business schools.

Those who teach business ethics and corporate social responsibility find themselves in confusing times. Attempts to have ethics formally required by business school accrediting associations have not been successful to date and students vary significantly in their attitudes about the subject. Prestigious business magazines such as the *Economist* (2005) produce special issues questioning the very foundations of corporate social responsibility. Financial newspapers such as *The Wall Street Journal* and *The Financial Times* regularly publish columnists who diss corporate social responsibility. At the same time, the corporate social responsibility “movement” is at a high tide with most large corporations having specialized staff publishing social reports and organizing social initiatives. Many business schools have thriving student organizations, such as Net Impact, that advocate business responsibility and economic sustainability.

Most major schools that have ethics coverage in their MBA programs have developed successful modules. So should any changes be made? Baker’s claim that philosophical arguments and business school education are creating and sustaining a market conducive to dirty money is shocking. Yet it cannot be dismissed out of hand.

Baker’s memo to academics points toward one significant change that would be consistent with his message and could have some impact on the worldview of future managers. Often courses in social responsibility and business ethics are issues-and-practice oriented with some background provided concerning normative approaches. The lesson of *Capitalism’s Achilles Heel* is that we need to go deeper into the philosophical and political foundations of capitalism. Among other things the business school curriculum should contain some counter-weight to the “push the envelope” mentality that inevitably comes out of courses focusing on financial engineering and entrepreneurship. Many of the recent ethics scandals came from people who were unable to recognize limits. They pushed approaches based on creative accounting, tax avoidance schemes, taking chances with drug safety, and similar strategies beyond all reasonable bounds in order to maximize share price. Perhaps a firm grounding in the ideas underlying Adam Smith’s *Theory of Moral Sentiments* would counter some of the extreme actions of managers. And it might salve the conscience of Adam Smith were he to return to our own time for a visit (Wight 2002).

We highly recommend the book to our colleagues as an important resource and reference.
Notes

We thank Joyce Meng and Vikram Madan for research assistance on this project.
Colleen Baker is not related to Raymond Baker.

1. The policy implications of the dirty money phenomena straddle political and social perspectives. The former is evident in the fact that Senator Carl Levin of Michigan, a Democrat, and Senator Charles Grassley of Iowa, a Republican, both wrote blurbs for the back of the book.

2. O'Higgins (2006) describes a vicious cycle in which various self-interested parties including firms, public officials, NGOs and other players participate in questionable transactions in ways that create a pervasive, sustainable global system of corruption. Black (2004) looks specifically at the system of money lending in Japan and notes the many parties who have significant economic interests in maintaining a system that leads to massive misallocation of capital investment in Japan. Beyond those two articles there has been little recognition of the DMP in manuscripts published in BEQ.

3. Non trivial costs will necessarily be borne by financial institutions bearing responsibility for controlling aspects of the DMP. Presumably, the ABA and the major banks would energetically challenge Baker's assertions that they were acting primarily to defend the system of dirty money.

4. He suggests that they only want to stop the dirty money used to facilitate terrorism, a fool's errand when little effort is made to interrupt the basic system. The DMP is available to corporations, terrorists, and wealthy individuals alike.

5. Those teaching chapter 8 should find Werhane's (2000) analysis of Adam Smith and Herbert Spencer invaluable for background. Jonathan Wight's instructive novel, Saving Adam Smith (Wight 2002), is also highly recommended.

6. Werhane observes that Spencer preceded Darwin in the publication of core ideas about evolution and suggests that Darwin should be regarded as a "biological Spencerian" rather than calling Spencer a Social Darwinist (2000: 186).

References


