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## **HISTORY OF ETHICAL THOUGHT IN THE CONTEXT OF ETHICS MANAGEMENT**

The issue of ethical behavior in management has a very long tradition, but it was not ever separated, it was usually a part of the problems of social ethics and an analysis of the issue of the right and justice. Ethics with its reliable and comprehensive opinions about the good and evil provides moral support to a man. According to Aristotle, it had a practical dimension, apart from politics and economics. The relationship between ethics and management was already present in the works of ancient thinkers and an analysis of issues of ethics in management started from them. Since the beginning of human history certain rules and laws influencing the behavior of people associated with the production and exchange of goods were introduced. Increasingly one wondered not only what and in what quantities should be produced, but also how to share any profits from this activity among all involved in the production and sales. Already in ancient times a correlation between economic activity and the development of civilization was noticed. At the same time, with the flourishing of trade, the need to establish and govern according to ethical principles emerged<sup>3</sup>. The aim of the article is to present the historical aspects of ethics management. The article, on the one hand evokes direct references to ethics management which was present in social thought over the centuries, and on the other one it shows a selection of the position of individual thinkers in the context of the above ideas. Due to limited space this review is not exhaustive, but it summarizes some background on the development of the concept of ethics in the management of social thought.

Keywords: ethics, axiology, morality, history, management.

### **1. THE ANCIENT AND MANAGEMENT ETHICS**

Greek and Roman philosophers created the foundation for business ethics in a form as we know today<sup>4</sup>. New forms of commodity and monetary economy, whose genesis was associated with the start of work in industry, commerce and the development of maritime trade routes, were the subject of fierce debate of sages of Ancient Greece in spite of the fact that business ethics had not previously been the object of their interests. Human activity in the sphere of trade was regarded as an important part of human life, the purpose of which was to follow the arete and eudaimonia. The Pythagoreans were considered to be those who first began hearings over the theory of morality<sup>5</sup>. Their contribution to the de-

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<sup>3</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *Etyka w biznesie i zarządzaniu*, Oficyna Ekonomiczna, Kraków 2005, p. 69.

<sup>4</sup> Ibidem, p. 69.

<sup>5</sup> V.J. Bourke, *Historia Etyki*, Wydawnictwo Krupski i S-ka, p. 13

velopment of this field was appreciated by Aristotle, who developed the theory of virtue and he attributed a great contribution to it to the Pythagoreans. Although business ethics was not the center of interest of the Greek philosophers, but it was Socrates who is considered to be the father of ethics<sup>6</sup>.

The theory of ethics by Socrates is a relation between knowledge and a virtue. This means that the previously mentioned two elements form a complementary whole and that the wise man is one who knows what is right and does so. According to Socrates a human being does not choose to do evil consciously and intentionally. It is quite a perverse statement as generally looking at human behavior in everyday life it can be concluded that the effect of doing evil is chosen consciously<sup>7</sup>. When using a saying that someone is responsible for evil deeds, we automatically mean that the effects were fully aware. Therefore, if the action is not dictated by a desire to commit an evil act and it is done unconsciously, then it is not identified on the moral responsibility. There were initial attempts to create the foundations and the ground for the future business system. Paving the moral path was not easy. The next person who tried to follow the ideas of Socrates was his famous student, Plato<sup>8</sup>. He believed that humans as intelligent beings needed certain rules and laws that would assist them to make appropriate decisions. He opposed the possession of private estates which, according to him, should be returned to the state. According to Plato all economic activities should be conducted so as not to undermine the idea of good. *The Republic* is a work in which he presented his attitude to economic issues<sup>9</sup>. Plato did not conceal his negative attitude to people whose aim was to multiply their wealth. According to him, such an activity did not give a chance to spiritual development. He opposed any practices designed to collect additional fees for the loan granted and claimed that the role of state power was to supervise that such practices had no place. Plato believed that such behavior showed the greed of people. Later, the thought of Plato was continued by his student Aristotle, who was considered the first economist<sup>10</sup>.

During his activities he pointed to two kinds of this science: *oeconomicus* understood as an ability to manage the household and *chrematistike*, or an ability to acquire material goods. *Eudemian ethics* and *Nicomachean ethics* are considered crucial for the development of ethical writings of Aristotle. Continuing education of Plato, he despised people aiming to gain money at any price, he regarded them as parasites who were not guided by any virtues in their life<sup>11</sup>. The process of buying goods at a low price and then reselling them at a higher price was described as usury. He approved citizenship property, which in his opinion was important to run a household. He divided the actions taken by people for economic reasons into those whose main goal was to meet the critical needs and these effects which were aimed at a profit<sup>12</sup>.

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<sup>6</sup> *Ibidem*, p. 17

<sup>7</sup> F. Copleston, *Historia Filozofii*, Warszawa 2004, vol. 1, p. 94.

<sup>8</sup> A. MacIntyre, *Krótką historią etyki*, Wydawnictwo Naukowe PWN, Warszawa 2002, p. 60

<sup>9</sup> Platon, *Państwo*, Wydawnictwo Antyk, Kęty 2003

<sup>10</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, s. 71

<sup>11</sup> R. T. George, A History of business ethics, see in: <http://www.scu.edu/ethics/practicing/focusareas/business/conference/presentations/business-ethics-history.html>, [access on: 14.08.2016]

<sup>12</sup> Arystoteles, *Polityka*, Warszawa, 2003

Ancient Rome was a period that was not enrolled in the history of the development of revolutionary economic concepts, and sages of that country focused their attention on full understanding and modifying those already known to them. Roman scholars pointed out that the mere fact of being rich did not have to be understood in the negative context provided that the rich did not emerge from the exploitation of others. According to them, the wealth was the foundation for development of the state. Mighty citizens should also help those in need. Residents of Ancient Rome drew from the knowledge of Ancient Greece and also had a negative attitude to usury and even considered persons who enriched themselves in this manner worse than thieves.

## 2. ETHICAL ASPECTS OF ECONOMIC BEHAVIOR IN THE MIDDLE AGES

Middle Ages were characterized by putting God at the center of interest of humanity and for this reason the religious aspects prevailed in ethics. During this period special attention of scholars was attracted by such issues as personal value, wealth, usury, exchange of goods and fair payment<sup>13</sup>. One of the major problems of this period was the creation of compatible rules for commercial activities with teachings of the gospel as in the importance hierarchy spiritual values were placed over every day ones. Scientists of the Middle Ages, together with the heads of the Catholic Church claimed that human behavior should be consistent with the will of God set in the legal code. This was considered as the code of Ten Commandments and teachings of the New Testament, which accounted for what was good and bad. Although the population was aware of the need to have personal goods, but the faith was the center of interest in a man, who was required to help those in need and to love God<sup>14</sup>. Christianity as the dominant religion in this period taught the necessity of renunciation of personal assets. According to this religion the eternal life was for those who lived in accordance with its rules. Otherwise, a man was waiting for eternal damnation. Some of the saints of the Catholic Church, among them, Clement of Alexandria even claimed that the rich could not attain the prize of eternal life<sup>15</sup>. Similar opinion was expressed by St. Ambrose who did not condemn prosperity, but he still identified a wealthy man as a person that life was guided by greed. The Catholic Church and its representatives believed that possession of the property was necessary, but only to the extent to provide adequate living conditions for themselves and their families.

Wealth should be obtained through work and not such a behavior which is contrary to the principles professed by the Church. Usury was branded by clerics who called for help those in need. The lender should be patient waiting for the return of the borrowed goods and should expect gratitude and not material values in return. An interesting concept by St. Augustine is worth quoting at this point. The greatest goal in life of every human being is to recognize the desire of God, because only this way the happiness is guaranteed. Evil is defined as the reason for the lack of good. And the presence of evil in the world is in the free will of the individual. The reason for the existence of evil is a man and his will. The metaphor associated with St. Augustine is the idea that "less misfortune is not to be able to achieve what you want than to want what you should not"<sup>16</sup>. However, the millenniums

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<sup>13</sup> *Ibidem*, p. 78

<sup>14</sup> *Pismo Święte Starego i Nowego Testamentu*, Wydanie piąte, Wydawnictwo Pallottinum, Poznań 2000, p. 1294

<sup>15</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 78

<sup>16</sup> Św. Augustyn, *O życiu szczęśliwym*, tłum. A. Świderkówna, Dialogi filozoficzne, Kraków 1999, pp. 25-26.

have reviewed this thesis. The average person thinks exactly opposite, since the inability to get what you want starts our suffering. A human being is not accustomed to such prohibitions - "Do not", "not allowed". A desire to reach things in the world where anything goes smoothly is very difficult<sup>17</sup>.

In the Middle Ages there was a further development of business ethics due to an increase in the role of the middle class. At that time the rules of conduct were formulated, the physical requirements necessary to perform specific work were shown and the rules of preparation for various professions were developed. In the Middle Ages St. Thomas Aquinas was very active. He based his teaching on the legacy left by Aristotle. He presented the Church's teachings related to accumulation of goods, rules of conducting commercial transactions, usury and loan<sup>18</sup>. The idea of the approach of St. Thomas was the conviction of the impartiality of good and ethical standards. When choosing a good one should be guided by kindness and not benefits and pleasures flowing from it. In his work *Theological sum*, he devoted much attention to the issue of usury, writing that it was not worthy to sell things more expensive than they were worth<sup>19</sup>. For example, according to Thomas a merchant who delivers grain to a country where there is lack of it should be aware of the upcoming supply and he should sell the goods there at the prevailing price. However, reliability of the merchant requires from him to preserve announcement or news of supply and lower prices for goods. This is not strictly related to the canons of justice<sup>20</sup>.

Usury is a topic most often considered by scholars of the Middle Ages. Loans for credit from the very beginning were identified as negative dealings mainly driven by human greed and exploitation of other vulnerable people. The Bible clearly shows usury as a bad behavior which should be avoided. Books of the New Testament witness to the teachings of Jesus Christ who condemned usury<sup>21</sup>. According to the teachings of the Church temporal goods should not be the purpose of human life. The subordination of existence to wealth creation is an obstacle to achieve eternal life. On the other hand, the parable of the talents shows that enrichment in itself is not bad if it results from the work and not the actions that do harm to other people<sup>22</sup>. At that time, usury was defined not only as lending at interest, but also the purchase of goods at a low price to pedal to cash them for a higher amount and thus a revenue without doing honest work. When analyzing the parable of Jesus about throwing out the merchants from the temple, St. Thomas tries to prove that it is a sinful action, because only sinners do not deserve a place in the House of God. Trade was identified as an action contrary to the teachings drawn from the gospel. The attitude of ecclesiastical authority was unambiguously negative against usury and people who are accustomed to these practices. Such people were threatened by an exclusion from the communion of the Catholic Church. The activities of the clergy contributed to the fact that the Jews began to deal with usury, because only such actions were right according to their law. That period contributed to the creation of the stereotype of the Jew who was only involved in trade. These events became the genesis of the conflict between Jewish and

<sup>17</sup> <http://wartowiedziec.org/index.php/start/aktualnosci/18012-etyka-na-co-dzie-jest-dokadnie-odwrotnie-nimawia-w-augustyn>, access on (12.02.2016).

<sup>18</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 83

<sup>19</sup> Św. Tomasz z Akwinu, tłum. P. Belch, *Suma teologiczna*, part 1, London 1960, pp.4-6.

<sup>20</sup> Tomasz z Akwinu, *Summa theologiae*, pars II-II, q. 77, art 3, vol. II pp. 623-24.

<sup>21</sup> *Pismo Święte Starego i Nowego Testamentu*, *op. cit.*, p. 1362

<sup>22</sup> *Ibidem*, p. 1319-1320

Christians communities, which led to taking over the Christian mansions by the members of the chosen people. In the follow-up period the attitude to usury and trade began to change slowly and it was not clearly negative. The state authorities started to encourage to sign the conclusion of international agreements, which were to bring financial benefits to the state treasury. They also started to call for the separation of the moral aspect and the economic activities in the economy. The image of the trade changed for better as one realized that countries and people had different commodities and a mutual exchange led to a mutual benefit. This contributed to drawing conclusions saying that trade was necessary and profit was the result of these actions. According to St. Thomas profit obtained as a result of commercial activity was not a cause for punishment if it was achieved through honest practices<sup>23</sup>.

Further development of civilization and thus increased commercial activities meant that, in practice, usury activities could no longer be prevented. For this reason people changed their attitude to lending at interest<sup>24</sup>. They started to think about the amount of the maximum percentage of the loan. Some felt that it should not be predetermined while St. Thomas Aquinas believed that a fair amount was no more than 12 percent of the loan value. Based on Roman law he introduced a division into consumer goods which are destroyed in the course of time, therefore, one should not insist on their return along with additional benefits, and non-consumption goods which justified charging additional costs. Late Middle Ages was a period of lending on a massive scale, both non-interest bearing and interest-bearing. A faster economic growth achieved through borrowing became a cornerstone of the development of a new economic system - capitalism. Despite the liberalization of the views church and state authorities continued prohibiting excessively high percentages of the loan granted. The clergymen were fighting in that area and supported the establishment of so-called pious banks which specialized in providing low-interest loans. The image of money changed in the belief of the population and was no longer negative.

### 3. ETHICS IN THE MODERN TIMES

Modern times are considered to be a period of the birth of modern economic systems where ethical and moral behavior began to move away into the background. Political and social transformations, then the disintegration of the feudal system displaced by capitalism, brought new challenges in the method of business management.

The period between the sixteenth and the eighteenth century was a time of a rapid economic boom which took place in the background of significant political and social changes<sup>25</sup>. An important point of change was to isolate the new part of society - the bourgeoisie. Transformations in the world contributed to changes in the methods of management<sup>26</sup>. In addition, there was a sharp reversal of priorities in people's everyday lives. Faith was no longer the center and more attention was paid to temporal things<sup>27</sup>. There was a slow reversal of the role of the Church and its authority was undermined. People began to strive

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<sup>23</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 88

<sup>24</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 88

<sup>25</sup> P. Więckowski, *op. cit.*, p. 156

<sup>26</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 89

<sup>27</sup> R. T. George, *op. cit.*

to satisfy their earthly needs. When analyzing business practices practicality was taken into account from the point of view of the economy than compliance with the teachings of the Catholic Church. However, no attempt was made to reject completely the ethical achievements but new philosophical concepts were created and they had to comply with new economic regulations. Calvin began a new chapter in the development of business ethics by giving economics the divine dimension<sup>28</sup>. He claimed that God appreciated the work of the man who brought him benefits, including the financial statements. Calvinism praised, among others, such human characteristics as efficiency, wisdom, dedication, diligence, thrift<sup>29</sup>. Credits were recognized as important elements of progress.

In the context of corporate social responsibility in times of Enlightenment, thinkers developed the concept of the social contract. One of them was a representative of empiricism John Locke. In his book *Two Treatises of Government* he presents his position on the property. In a large sense the property of an individual, which accounted for freedom, life and personal property. In the narrow meaning this term meant material possessions. Locke pointed out the existence of three natural properties, which were: charity, inheritance and work. It was a simultaneous denial of the theory that only the government gives privileges to the ownership<sup>30</sup>, and a person with consciousness is able to understand that they are responsible for the actions,<sup>31</sup> and that it is inevitable.

A duty of every member of society was taking responsibility for compliance with the rules along with the violation of rights or the threat of punishment. Awareness of justice in the form of punishment eliminates the human fear of a possibility of personal harm. As a result, humanity is functioning on the principle of the common good.

The key to the modern ethical concepts is a postulate by Imanuel Kant who opposed the exploitation and objectification of people. He postulated to treat people fairly in every aspect of life also in this related to business activities. Other opinions were represented by utilitarians, whose views were spread primarily by Adam Smith. According to them, the right actions are only those that bring good for a large group of people. Thus, a commercial activity is good only when it benefits. Adam Smith proclaimed the economic liberalism, which was based on the assumption that people have to take care of their welfare which will translate into good of the whole society<sup>32</sup>. Smith believed that business ethics could play an important role because the main purpose of business was to generate profit. He believed that the objectives of running the company were incompatible with all ethical principles. Smith claimed that work is the source of people's livelihood and that is why remuneration for it had to be so high as to provide a dignified life to workers and their families. According to him a worker should receive twice the amount of remuneration so that he could offer a livelihood survival to their children and keep the continuity of the family<sup>33</sup>.

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<sup>28</sup> J. P. Wogoman, *Christian Ethics A Historical Introduction*, Westminster, Louisville 1993, pp. 124-125

<sup>29</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 91

<sup>30</sup> J. Locke, tłum. Z. Rau, *Dwa traktaty o rządzie*, Warszawa 1992, p. XLVI, LIII.

<sup>31</sup> J. Locke, tłum. B. Gawęcki, *Rozważania dotyczące rozumu ludzkiego*, Kraków 1955, vol. I, p. 490.

<sup>32</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 94

<sup>33</sup> K. Kietliński, V.M. Reyes, T. Oleksyn, *op. cit.*, p. 95

#### 4. CONCLUSION

All these concepts have contributed to the modern concepts of ethical behavior, business ethics and corporate social responsibility. These concepts, although different, penetrate mutually and they have axionormative bases. A human factor is a common denominator that gives a form to the issues of business ethics in every century. A man is a person who initiates the action, who uses their intellect and available tools to be able to achieve anything. In this sense, we can say that a wise entrepreneur is the one that will apply ethical standards in their business in order to build a competitive advantage and a positive relationship with social environment.

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