

## **Locke, Business Ethics Textbooks, and Virtue**

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*The attitude regarding property that Locke imagined is inconsistent with the education that business ethics courses often provide, at least as exemplified by popular business ethics textbooks. First, we briefly show Locke's view of property. Then we present passages on Locke from business ethics textbooks. The passages suggest that Locke allows unlimited acquisition of property. Finally, we offer analysis allowing students to gain a more sophisticated understanding of Locke and property rights. Our analysis encourages students to examine material acquisition, especially in terms of virtue, as Locke would have it.*

### **INTRODUCTION**

On a recent trip to Edinburgh, Scotland, the authors visited the grave of Adam Smith, said to be the ‘father of economics’ and staunch defender of capitalism and free markets. The epitaph on his headstone listed his important writing: “Here lies the author of *Theory of Moral Sentiments* and *The Wealth of Nations*,” as though Smith thought that ethics took pride of place over economics. In that thought, Smith was merely following another thinker whose work is seminal to the foundation of free markets, namely, John Locke.

Locke’s *Second Treatise on Civil Government* has been widely used to justify free market arrangements and, given its strong defense of the right to private property, limitless acquisition of property. However, Locke also intimated that rights ought to be restrained by reason. Locke stated that “a state of liberty...it is not a state of license...The state of nature has a law of nature to govern it, which obliges every one; and reason, which is that law,” teaches restraint. (Locke, 1952, section 6) This passage, alone, may suffice to show that Locke believes that the virtue of temperance ought to play a role in the exercise of rights, including the right to property. This recurring idea in Locke, i.e., to limit the exercise of rights through virtuous character, is not normally part of a business education, at least as exemplified by several widely used business ethics textbooks.

We argue that Locke did not envision unrestrained acquisition of property and that business ethics students should be aware of Locke’s limitation. First, we show Locke's view of property, relying on his *Second Treatise of Government*. We note that Locke distinguishes property from monetary wealth, that Locke clearly limits the former in a state of nature, but allows inequality of property by “voluntary consent” once government is formed. Then we present passages from mainstream, late-edition business ethics textbooks. The textbooks often imply or state outright that Locke allowed for unbridled acquisition

of property. The result is that many business ethics students learn the mistaken ideas about greed, property, and Locke; students would be better served were they to gain a more sophisticated understanding of both Locke and property rights. Then students would more likely limit their material acquisition, living a more virtuous and accountable life. A life of that sort is more what Locke had in mind, as we show in the last section.

## LOCKE'S VIEW OF PROPERTY

The purpose of this paper is not to resolve scholarly questions regarding the precise view of property found in Locke's writing. For the purposes of this paper, it suffices to note that others (Waldron, 1979; Schrader-Frechette, 1993; Narveson, 1999) have observed Locke's ambiguity with regard to property restriction. However, it is helpful to look briefly at Locke's *The Second Treatise of Government*. His chapter, "Of Property," begins with the famous state of nature, wherein no government has been formed and "no such thing as money was anywhere known." (Locke, 1952, section 49) "Of Property" purports to show that the right to property is prior to the formation of government, but that, nevertheless, restrictions on property existed. However, the chapter also suggests that once gold and silver became objects of value and people tacitly agreed to the use of money for exchange, the situation changed, allowing for greater inequality in possession of property.

Locke begins "Of Property" by suggesting that 'property,' in its most immediate sense, is land. Locke says that all the earth and its contents belong to "men in common" (Locke, 1952, section 26) and that land can only be considered an individual's own once "he has mixed his labor with [land]" (Locke, 1952, section 27). In the same section, Locke states, "Whatsoever then he [man] removes out of the state that nature has provided" (Locke, 1952, section 27) also constitutes property, i.e., the fruits of a person's labor, following the 'labor theory of property' established in the *Treatise's* first chapter. There, Locke defends labor as a means for acquiring property by saying labor is inarguably a person's own, and mixing labor with nature is mixing something of the self with it. The result is tangible property.

Later in the chapter on property, Locke states that "from the consent of men," money may be used as a means of exchange. (Locke, 1952, sections 47, 50) His initial and primary understanding of property is as a tangible asset, namely, land and the material products that originate in labor. Our analysis follows Locke's language that property is tangible and money is distinct from property.

It might be noted that Locke's idea of property is akin to the world of the seventeenth century. In his time and in his understanding, with the discovery and charting of the new land known as 'America,' land and resources were seemingly endless. Although his work has clearly transcended time, he could never have imagined an age where resources and land are limited. For instance, he wrote that there was land enough "to suffice double the inhabitants." (Locke, 1952, section 36) Further, and again consistent with his day and age, Locke was very religious and used his religious ideas in his essays. Locke's writing reflects his attitude about the earth in claiming that the earth was given to man, e.g., "God, who has given the earth to men in common..." (Locke, 1952, section 26) Locke continues to say in the same sentence, "[God] has also given them reason to make use of it to the best advantage of life and convenience." (Locke, 1952, section 26) This idea, in only the second paragraph of the chapter on property, is an early hint that Locke intends to limit property. He does so quickly: in the third section of the chapter, he clearly limits property. Men are allowed property "at least where there is enough and as good left in common for the others." (Locke, 1952, section 27)

The *Second Treatise* is extremely vague in explaining how property limitation is created. At one point in the chapter "Of Property" (Locke, 1952, section 31), Locke states that "keeping in the bounds set by reason..., there could then be little room for quarrels or contentions about property." (Locke, 1952, section 31) Locke intimates that men will share property willingly and freely, allowing reason to guide restraint. Later in the chapter, Locke says "it [is] a foolish thing, as well as dishonest, to hoard up more than he could make use of." (Locke, 1952, section 46) Again, Locke makes the point that excessive property is unreasonable, therefore immoral. For a person like Locke, who saw people as inherently good, property disputes and distribution thereof would be cordially arranged for the best.

On Locke's view, once the state of nature has been supplanted by organized society, the matter of property changes. He explains "that the increase of lands and the right employing of them is the great art of government." (Locke, 1952, section 42) On one hand, Locke believes people will use property morally, i.e. people will take what they can use and not waste property. On the other hand, he sees the "art" of government to employ land with "honest industry." (Locke, 1952, section 42) In a different section of the chapter, he almost blends these two claims, saying that "by consent... [people came to] agree on limits between them and their neighbors, and by laws within themselves settled the properties of those of the same society." (Locke, 1952, section 24) Locke believed government should be "agreed" upon, i.e., participatory or democratic, and that part of the agreement involved having a government with "laws," i.e., regulation, regarding honest usage of land.

In short, Locke restricts property in the state of nature and after government is formed. His restriction on property in a state of nature is plainly stated: "It will perhaps be objected to this that 'if gathering the acorns, or other fruits of the earth, etc., makes a right to them, then any one may engross as much as he will.' To which I answer: not so" (Locke, 1952, section 31). Locke cannot be clearer: in a state of nature, where reason establishes individual restraint, people cannot engross endless amounts of property. The limit to property is established by 1) what an individual can use and 2) "where there is enough and as good left in common for the others." He observes that "this measure did confine every man's possession to a very moderate proportion." (Locke, 1952, section 36)

Locke also allows for restriction on property after government is formed. He observes that the "since gold and silver, being little useful to the life of man in proportion to food, raiment, and carriage has its value only from the consent of men...it is plain that men have agreed to a disproportionate and unequal possession of the earth, they having, by a tacit and voluntary consent, found out a way how a man may fairly possess more land than he himself can use." (Locke, 1952, section 50)

If Locke is correct, then, there are limits in the state of nature such that each person might have a "moderate proportion" and in a state where government exists, inequality may exist by "voluntary consent." Locke appears to allow the possibility that if people do not consent to the inequality, that other arrangements might be made, regardless of any prior right to property as established in a state of nature. In other words, the amount of property a person has is limited by reason in a state of nature or by consent after government is formed.

## **BUSINESS ETHICS TEXTBOOKS ON "LIFE, LIBERTY, AND PROPERTY"**

Business ethics textbooks certainly overlook the passages from Locke where he limits property in a state of nature and where he allows inequality as a function of "voluntary consent." We examined several, mainstream, late-edition textbooks—all in the fifth and sixth editions. In each textbook, Locke was either not mentioned at all or treated briefly. In only one textbook did the author note that Locke directly limits the acquisition of property.

William H. Shaw's *Business Ethics* presents a more nuanced understanding of Locke's ideas than the other textbooks. Shaw has a sizable section devoted to the theories of distributive justice, including the libertarian position, which Shaw suggests are founded on "Lockean rights." (Shaw, 2008, 96) Shaw quotes a section of Locke's chapter, "Of Property," stating that if a property owner has too much property whereas a portion of it rots, then his ownership is immoral: "Whatsoever he tilled and reaped, laid up and made use of before it spoiled, that was his peculiar right." (Shaw, 2008, 97) Shaw correctly presents Locke's central idea when Shaw writes that "prior to the formation of government, property rights were limited." (Shaw, 2008, 97) Shaw suggests that 'property rights' were restricted to the amount of property a person could use and also restricted by consideration of others, i.e., that there be property "'enough and as good' left for others" (Shaw, 2008, 97). However, Shaw follows the claim about property being limited by stating that "with the introduction of money, Locke thought that both these restrictions were overcome." (Shaw, 2008, 97) Shaw does not comment upon the idea that inequality ultimately depends upon "the consent of men" or "tacit and voluntary consent." (Locke, 1952, section 50)

Manuel G. Velasquez, in his *Business Ethics*, does a good job in explaining limitation and Locke. He provides the excerpt from Locke that this paper has probably beaten to death—“...‘as long as there is enough, and as good, left in common for others’” (Velasquez, 2007, 130). In this snippet from Velasquez, he at least highlights the limitation of property that Locke stated. Unfortunately, Velasquez never explains the implications of “enough, and as good.” Instead, Velasquez simply makes the obvious point that Locke believes property is a right. Locke’s ideas fall under a heading entitled “Free Markets.” No mention of limitation exists anywhere in the section on Locke nor does Locke’s notion of consent to inequality appear.

In a discussion of property in *Contemporary Issues in Business Ethics*, authors DesJardins and McCall make quick mention of John Locke as “[an] intellectual source of our economy and political system.” (DesJardins et.al, 2006, 60) The textbook’s section on property is simply a defense of private property. It explains Locke’s definition of property; mixing labor with nature creates property. Never once does the book, in its fifth edition, explain that Locke limits property or that he suggests inequality is a consequence of consent. To their credit, in the property section, the two authors state that property owners may not act immorally with their property since acting in this fashion is unfair to others (DesJardins et.al, 2006, 61). Having modified the right to property in terms of the use of property, the text returns to a defense of private property. Limitation of property, by reason or consent, is never mentioned in the same paragraph as Locke. From this text, the traditional view of Locke’s defense of property is reinforced and any kind of limitation on acquisition of property is dismissed or left unmentioned.

*Ethics and the Conduct of Business*, by John R. Boatright, uses Locke’s work to justify a right to property and even discusses a possibility for restriction or limitation on property. (Boatright, 2005, 238) However, his limiting property may do a disservice to Locke, for Boatright says a further objection to an unlimited right to property can be constructed using Locke’s own premises. Property rights are fundamental in Locke’s political theory because of the role they play in satisfying our basic needs and securing liberty. It can be argued, however, that instead of serving these Lockean ends, the doctrine of employment at will has the opposite effect. (Boatright, 2005, 238-9) Boatright’s phrasing suggests that Locke favored an “unlimited right to property” when, in fact, Locke states unequivocally that a person may not “engross as much as he will” and suggests that the amount of property a person has is subject to “voluntary consent” of society’s members.

DeGeorge’s textbook, *Business Ethics*, has this comment: “The legislation has expressed social demands; it embodies a view of business that, when taken as a whole, is clearly different from the view found in John Locke or in the U.S. Constitution” (De George, 2006, 617). Upon that statement, a person might conclude that Locke makes no room for “social demands”, i.e., limiting property for the common good, in his philosophy. These lines from De George’s text clearly disagree with the claims from *The Second Treatise of Government*, such as, “at least where there is enough and as good left in common for others” (Locke, 1952, 17) and ignores the ‘social demand’ of consent that Locke provides.

If Locke is, as many Americans are taught and the aforementioned author, DesJardins, highlights, a “source of our economy and political system,” not mentioning Locke’s explicit limitations or possible limitations on property represents an incomplete description of property, distributive justice, and thus business ethics.

## **VIRTUE, PROPERTY, AND LOCKE**

Though the *Second Treatise* is quiet about government’s placing restrictions on the acquisition of property, the treatise is nonetheless clear that restrictions on the acquisition of property exist. The ‘natural right to property’ is restricted by reason and, after the formation of society, any property a person may acquire might be limited by consent. The twin impulses in Locke, to strongly defend the right to property but also to limit property “made it possible for Locke’s theory of property to be used by many different

groups—among them advocates of a wide distribution of land and socialists basing a criticism of capitalism upon the labor theory of value.” (Peardon, Locke, 1952, p. xv)

The history of free markets appears to support the view that Locke allowed unrestrained acquisition of property. Certainly in America, we observe free market advocates relying on Locke’s ideas to oppose intrusion into anyone’s fairly acquired property. This paper shows that business ethics textbooks also rely on Locke to support a free market arrangement, with its enormous disparity in property, but appear to ignore Locke’s impulse to restrict property to a “moderate proportion.” Students reading the standard business ethics textbooks are not likely to think twice about the ethics of property acquisition.

Yet, if Locke is correct in stating that ‘liberty is not license,’ stressing reason as the guide for the exercise of liberty, including the exercise of property rights, then Locke’s ideas invite reflection about the acquisition of property: how exactly can property be restricted? The *Second Treatise* does not explicitly answer this question except with the vague “what is useful.” Further, given Locke’s claim that “the preservation of property [is] the end of government,” (Locke, 1952, section 138), it appears that government is not the answer to limiting or restricting property.

We believe the answer lies in Locke’s Christian proclivities and Aristotle’s *Nicomachean Ethics*. The answer points toward virtue and the formation of character. Locke intersperses Christian sayings and includes numerous references to the Bible. He was well aware “that a rich man shall hardly enter into the kingdom of heaven” (Mathew 20.23) and that “it is easier for a camel to go through the eye of a needle than for a rich man to enter into the kingdom of God.” (Matthew 20.24) The *Second Treatise*, informed as it was by the Christian tradition, could have a defense of a person’s “moderate proportion” based on scriptural passages alone.

However, the injunction of reason as the guide to restriction in “Of Property” suggests a view reminiscent of Aristotle: “a self-controlled man...follows right reason.” (Aristotle, 1962, NE 1119a20) For Aristotle, the use of reason can lead to a virtuous life, including virtues associated with material goods, i.e., property. To the Aristotelian virtue of generosity, i.e., proper giving to and taking from others, there corresponds the vices of extravagance and stinginess (Aristotle, 1962, NE 4.1); to the virtue of magnificence, i.e., giving on a larger scale, there corresponds the vices of vulgarity and niggardliness. (Aristotle, 1962, NE 4.2) In Aristotle’s estimation, all people, rich and poor, ought to exhibit the virtues of generosity and magnificence. If people cling to their possessions, they are either stingy or niggardly. If Aristotle is correct, proper character allows for difference in property but only to the extent that people take others into account. Locke might say that virtuous behavior with regard to property allows for “enough, and as good” for others.

## CONCLUSION

It is neither fair to Locke nor students simply to ‘teach’ Locke and pick and choose what to report. Business education, as exemplified by leading textbooks, does a great job in showing that Locke saw property as a God given right. However, business education could do a better job of showing that Locke had a competing impulse to set limits on property.

Americans are raised on the slogan “Life, Liberty, and Property”, whereas the “source”, John Locke, really said, “Life, Liberty, and Property (as long as everyone is eating).” The view that Locke taught that the right to property protects any and all amount of acquisition misrepresents Locke’s ideas and protects non-virtuous conduct.

Locke did indeed stress the right to property but he also restricted the acquisition of property. If business ethics courses hope to contribute to the likely virtuous behavior of students, the necessity of thinking about others should be incorporated in the classroom. The right to property is not a liberty without license. Or: greed is not a virtue. Greed is a vice.

Locke knew that and business students should, too.

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