# Ask the philosopher

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**MOST of us would recoil from being investors who support unsavoury or harmful activities.**

Imagine if we were to hold shares in a supermarket company that also owns thousands of poker machines. Or in a textiles manufacturer that sources its goods from child labour overseas. If concerned about this, you wouldn't be able to cash in that dividend cheque without feeling the pang of conscience.

As awareness about corporate behaviour has grown, socially responsible investment has emerged as an alternative to traditional investment vehicles. Those with concerns about how their money is invested can now join trust or superannuation funds guided by an ethical charter.

Such a charter may involve screening out "sin stocks" such as tobacco, alcohol and defence companies. It may also involve investment in companies believed to have a positive social influence (for example, environmentally friendly enterprises).

According to supporters of SRI, making ethical decisions needn't sacrifice performance. Studies have shown that SRI portfolios offer comparable returns to traditional ones.

But must we refrain, then, from making investment decisions based on financial considerations, free from ethical concerns?

There is one school of thought that believes a preoccupation with ethical responsibility may end up producing more harm than good. If anything, we should vigorously pursue our self-interest, since we could never attain the benefits of a good society without the presence of self-seeking motives. Bernard Mandeville, an 18th-century philosopher and political economist, was arguably the first to make this point in The Fable of the Bees, in which he contended private vices are ultimately what produce public benefits.

As Mandeville described it in verse, "Fools only strive / To make Great an honest Hive . . . Fraud, Luxury, and Pride must live; / Whilst we the Benefits receive." It is only when society is free to indulge its desires for pleasures, comforts and ease that we can enjoy the fruits of prosperity and civilisation. "Vice is beneficial found, / When it's by Justice lopt and bound."

Later in the 18th century, Adam Smith elaborated Mandeville's idea that selfishness could be channelled into co-operative progress. In The Wealth of Nations, Smith argued the pursuit of self-interest is brought into social harmony by the invisible hand of the market. By "pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it".

However, Smith didn't endorse Mandeville's cynical belief that self-love was all that was required; he, in fact, believed markets depended on the bonds of sympathy shared by members of a civilised society. Even the greatest ruffian or most hardened violator of laws, Smith said, isn't altogether without moral sentiment.

Which is to say that we are culpable of a moral wrong if we knowingly invest in unethical companies. While we needn't apologise for seeking to maximise the returns on our investments -- markets and self-regard can, after all, be forces for good -- we mustn't forget our obligations to observe justice. Such responsibilities aren't confined to the most sanctimoniously virtuous or humane among us.

Readers are invited to suggest subjects for future pondering. The email address: philosophercolumn@gmail.com

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