
Abstract

Many business ethicists, activists, analysts, and corporate leaders claim that businesses are obligated to promote diversity for the sake of justice. Many also say—what good news!—that diversity promotes the bottom line. We do need not choose between social justice and profits. This paper splashes some cold water on the attempt to mate these two claims. On the contrary, I argue, there is philosophical tension between arguments which say diversity is a matter of justice and (empirically sound) arguments which say diversity promotes performance. Further, the kinds of interventions these distinct arguments suggest are different. Things get worse when we examine the theory and empirical evidence about how diversity affects group performance. The kind of diversity which promotes justice and the kind which promotes the bottom line are distinct—and the two can be at odds.



A Message from the Director

Does diversity, equity and inclusion (DEI) promote social justice? Does it improve performance of companies or institutions? A hopeful view that it can do both at the same time helps explain today's widespread support for DEI in corporate and academic circles.

In this essay, the first-ever Bridwell Institute occasional paper, Jason Brennan casts a skeptical eye on the supposed synergy of good works and good business. He dissects DEI and finds inherent tensions between the two arguments that arise from different philosophical and moral conceptions on what diversity is and how to achieve it. "Promoting one kind of diversity can sometimes undermine the other," the essay contends.

Jason has a lot more to say on the topic, of course. You'll find his essay thoughtful, nuanced and balanced as well as clearly written and fully researched. Our hope is that, after reading it, you will gain a greater appreciation of DEI's promises, contradictions and consequences.

DEI has become such an integral part of our economy that we didn't want to ignore such an important feature of contemporary business landscape.

We at the Bridwell Institute spend most of our days focusing on economic systems and how they impact growth, incomes, job creation and other key indicators of overall economic performance. We simply didn't have the expertise to launch a study of our own, so we proceeded according to a maxim of economics: Do what

you do best and trade for the rest.

We hired Jason Brennan, a scholar at Georgetown University's McDonough School of Business; he is accustomed to working in the nexus of politics, philosophy and economics. For a fuller accounting of his academic accomplishments, see Page 23.

Jason is the author of an impressive 16 books on an array of topics – democracy, business ethics, voting, higher education, criminal justice, liberty and libertarianism. My favorite is *Why It's OK to Be Rich* (2020). Largely because of it, we invited him to speak at our 2020 Flourishing & a Free Society event on "The Role of Business in a Free Society."

The Bridwell Institute is donor-funded. We've recently received generous support from Gina and Tucker Bridwell, the William E. Armentrout Foundation, Richard Weekley, Sarah and Ross Perot Jr., the Templeton World Charity Foundation, the Legett Foundation, the Karakin Foundation, the Kickapoo Springs Foundation, and numerous other individual donors. Crow Holdings helped make Jason's essay possible.

Robert L. Lawson

Director

Bridwell Institute for Economic Freedom

Business ethics is often biased to teach the feel-good story that businesses do well by doing good.¹ Sure, unscrupulous activity might pay in the short-term, but doing the right thing pays off in the long-term. We need not choose between ethics and profits.

This same view appears in discussions of diversity, equity and inclusion (DEI), which has emerged as a hot-button issue in recent years. Many business ethicists, activists, analysts and corporate leaders claim that businesses are obligated to promote diversity for the sake of justice. Many also say – good news – that diversity promotes the bottom line. We do need not choose between social justice and profits.

This paper splashes some cold water on the attempt to mate these two claims. On the contrary, I contend, there is philosophical tension between arguments that say diversity is a matter of justice and (empirically sound) arguments that say diversity promotes performance.

Further, the kinds of interventions these distinct arguments suggest are different. If diversity is a matter of justice, it is a concern for business ethicists, activists and governments; if it is only a matter of profitability, it would not be. Businesses do not need ethicists, activists and governments to tell them how to be profitable.

Things get worse when we examine the theory and empirical evidence about how diversity affects group performance. The kind of diversity that promotes justice and the kind that promotes the bottom line are distinct – and the two can be at odds. If someone says, “diversity promotes justice *and* promotes business,” they are often

¹ See Brennan, English, Hasnas and Jaworski 2021 for an overview.

equivocating between two distinct senses of “diversity.” Or, if they are not equivocating, then they are mostly mistaken.

My goal in this paper is to examine the tension between these two DEI arguments. The tension is not so intense that we must choose one kind of diversity over the other. But businesses must acknowledge that these are distinct kinds of diversity, to be promoted in different ways, and that there can indeed be conflicts between them, especially if companies are not careful.

That diversity is a matter of justice that suggests some corporate

require their employees undergo DEI training. American Express ties 15 percent of its leadership scorecards to diversity issues.

demographic proportionality.

Philosophers and economists sometimes appeal to self-interest, especially when moral arguments might fail to motivate others to behave better. For instance, Adam Smith's *Wealth of Nations* contains a sustained economic critique of imperialism.

Smith argues that empires do not pay for themselves and in fact tend to impoverish most citizens from the *conquering* power.¹⁵ Smith also thought imperialism was unjust. But he recognized that people are predominantly self-interested, and so in *Wealth of Nations* he tried to convince citizens their empires were making them materially worse off. Similarly, contemporary defenders of free immigration usually think immigration is a human right, but they also argue that increased immigration is efficient.¹⁶

Still, there is an important difference between these cases and diversity. Smith thought – and subsequent research shows – that imperialism was a form of rent-seeking that concentrated benefits among the well-connected few and dispersed greater costs among the many. The British king, trade monopolists and arms manufacturers benefited from empire, while the great mass of British people were harmed.¹⁷

Defenders of immigration argue that voters remain rationally ignorant of the benefits of immigration because their individual votes are inconsequential; thus, voters lack the incentive to overcome xenophobic biases.¹⁸ In both cases, with

on their own because, by hypothesis, failure to increase diversity means leaving millions or even billions of dollars

to different reasons and motives but also suggest different kinds of solutions and interventions. Note that while below I will argue that the kinds of diversity that enhance justice and enhance performance are distinct, the preceding worries would apply even if they were the same.

The Philosophical Tension Between the Two Arguments

The previous section argued that diversity-for-justice and diversity-for-profit suggest different enforcement mechanisms. In this section, I discuss the philosophical tension between these two sets of arguments. The problem is that appealing to self-interest is sometimes inappropriate. Sometimes, it is the wrong kind of reason for action. Appealing to self-interest on behalf of diversity can even alienate the very people it is meant to include.

Consider this analogy to illustrate: In the summer of 2020, Americans paid increased attention to police violence, especially violence toward Blacks. Many called for police reform or for more radical proposals to defund or replace the police. Companies around the United States claimed to stand in solidarity with the Black Lives Matter movement.

Imagine that people tried during this time to convince police officers to behave better by appealing to their self-interest. Suppose, for instance, that McKinsey produced a “Black Lives Matter” report that tried to convince cops that respecting Black lives would increase officer salaries. Such an argument might be worth making for strategic reasons, if that is what it takes to reign in police violence. But this argument appeals to the *wrong* reasons. Police ought to change their behavior because Black lives matter, not because respecting Black lives *pays better*. They ought to do what is right because it is right, not because doing what’s right is profitable.²⁰

Similar logic applies to many other business ethics considerations. Businesses should be honest because it is right, not because honesty leads to a good reputation that increases their profitability in the long run. They should avoid exploiting workers because exploiting workers is wrong, not because paying avoiding exploitation turns out to be profitable in the long run. And so on. If violating these norms turned out to reduce profits, the companies should observe the norms anyway. One does not become exempt from basic ethical requirements by announcing the

²⁰ Prichard 1912.

intent to seek profits.²¹

Management scholars Robin Ely and David Thomas notice this tension and offer a warning:

Moreover, advocates who justify diversity initiatives on the basis of financial benefits may be shooting themselves in the foot. Research suggests that when company diversity statements emphasize the economic payoffs, people from underrepresented groups start questioning whether the organization is a place where they really belong, which reduces their interest in joining it. In addition, when diversity initiatives promise financial gains but fail to deliver, people are likely to withdraw their support for them.²²

Ely and Thomas claim that the empirical literature, including their own work, shows that pushing the performance argument or business case for diversity sends the wrong message and tends to alienate the underrepresented people it is meant to attract and retain.

Members of underrepresented groups that have been subject to past injustices want to hear that businesses are including them because it is right and just. But when firms emphasize the supposed performance benefits of diversity, this signals to employees the firms mostly care about money. It reduces employees’ confidence in their employers’ concern for justice. Minority employees tend to leave such firms. Ironically, emphasizing the business case for diversity can be counterproductive.

If that dynamic seems strange, consider an analogy. Suppose your boss repeatedly says he will never sexually harass you ... because it is bad for business. You might come to distrust him. Emphasizing the business case against sexual harassment suggests he is unethical and that he would act badly (in this or other domains) whenever he thinks he can get away with it.

I will argue below that both theory and the empirics show that the kind of diversity that promotes justice is different from the kind of diversity that promotes profitability. Some may be inclined to take offense at this or worry that this deflates the moral argument for diversity. Or they might feel they need to defend the profitability of demographic diversity because doing so will convince companies to promote just outcomes.

²¹ Even Freidman 1970 agrees.

²² Ely and Thomas 2020.

But this is not quite right. If demographic diversity – or any other kind of diversity – turns out to be profitable, that is reason to promote it, but not a *moral reason* per se. If promoting diversity is about justice, then pursuing it for the sake of profitability is the wrong kind of reason. Indeed, it could be regarded – and Ely and Thomas show, often is regarded – as somewhat offensive.

If promoting diversity promotes justice, companies should be motivated by justice; being motivated by money is the wrong motive. If diversity (or honesty, or any other value) is required by justice, then companies should follow it regardless of whether it enhances profits.

Diversity and Performance: The Need for a Model

Suppose one wants to argue that a certain sort of diversity promotes corporate performance. To establish that, one would need some plausible operationalization and measurement of diversity, plus some plausible operationalization and measurement of performance.

Suppose one then finds diversity so operationalized and measured positively correlates with profitability or some other performance metric. This would of course not suffice to demonstrate that diversity *causes* profitability. It is possible causation goes the other way; e.g., perhaps better performing firms feel secure enough to experiment with increased diversity.²³ Or perhaps increased performance and diversity could have a common cause; for instance, good or ethical management techniques may produce more of both. Perhaps the correlation is spurious.

Consider two widely celebrated McKinsey reports: “Why Diversity Matters”²⁴ in 2015 and “Delivering Through Diversity” in 2018.²⁵ These papers use underspecified indices of gender and ethnic diversity in the workforce and on corporate boards, then compare those to a particular measure of corporate profitability.

The papers do not provide summary statistics, nor do they report means, medians or even regression equations. Instead, they simply report positive results. In particular, they claim that companies in the top quartile of diversity

are 20-45 percent more likely than their less diverse peers to outperform the median firm in their industries.

The reports also claim that low-diversity businesses in some cases have a higher chance of underperforming the median company in their industry. Effect sizes are never specified, so we do not know how much better or worse these companies perform. The authors claim the results are statistically significant but do not explain the level of significance, report standard errors or provide other basic statistics. What the authors merely do is hide their work.

They also do not attempt to establish causation; that is, they do not try to prove that diversity *causes* these results. In the 2018 report, they admit, “correlation does not demonstrate causation,” but then advise readers to nevertheless consider how diversity might improve performance in their own firms.²⁶

In the 2015 report, the McKinsey authors say, “While correlation does not equal causation (greater gender and ethnic diversity in corporate leadership doesn’t automatically translate into more profit), the correlation does indicate that when companies commit themselves to diverse leadership, they are more successful.”

²³ Farrell and Hersch 2005 find that adding women to boards does not increase corporate performance; instead, women self-select to join better-performing boards.

²⁴ Hunt et al. 2015.

²⁵ Hunt et al. 2018.

various kinds of diversity improve various kinds of performance. I will discuss them next.

The Hong-Page Diversity Model

Lu Hong and Scott Page have produced what is probably the most thorough, rigorous and famous model purporting to show diversity promotes performance. Imagine a group of people working together to solve a problem, one with objectively better and worse answers, given any set of values or goals. The problem could be whether a defendant is guilty, which marketing method works best or how to build a better mousetrap. One obvious way to improve group performance is to increase the competence of individual members. Twenty genius engineers should tend to outperform 20 average engineers.

According to Hong and Page, however, a second way is to increase the *cognitive diversity* inside the group. In fact, they argue, cognitive diversity often trumps ability. In many cases, a more diverse group of less competent people will outperform a less diverse group of more competent people. Call this the Hong-Page theorem: Increasing cognitive diversity inside a group tends to increase the group's performance.

Hong and Page do not intend to exaggerate this claim or overstate its implications.²⁹ They admit that some problems might require extensive expertise in a particular field. If the problem is some advanced and esoteric topic in algebraic geometry, for instance, Hong and Page would agree that 20 genius mathematicians are likely to outperform a group of 20 random people with different skills.

However, many problems – especially those in business – have different facets and are best tackled by diverse groups with different skills. If the problem involves how a corporation should best deal with public safety, for instance, Hong and Page would suggest that a diverse committee composed of engineers, marketing professionals, accountants, ethicists, managers and production workers might well outperform a group composed entirely of engineers.

People with different skill sets will see different aspects of the problem and have different approaches that can be amalgamated to produce a better overall decision. If Hong and Page are correct, making a group more diverse makes

29 E.g., Landemore 2012 argues that in democracy, more heads always outperform fewer, but the Hong-Page theorem does not support this claim. The Hong-Page theorem says adding more heads can help only under very specific circumstances.

the group smarter. Two heads are better than one – so long as the two heads are different.

These are exciting conclusions, if true. They suggest that firms can improve their performance without having to increase their human capital. They can instead reorganize to diversify the skillsets inside their deliberative bodies.

Note that the diversity the Hong and Page theorem defends is *cognitive* diversity. In titling their paper “Groups of Diverse Problem Solvers Can Outperform Groups of High-Ability Problem Solvers,” they mean *cognitively* diverse problem solvers. They do not mean the diversity in ethnicity, religion, race, gender identity, sex or the other indelible characteristics found in the typical justice-based argument for diversity.³⁰ These characteristics should enhance performance only in special cases where they serve as proxies for cognitive diversity. For instance, perhaps members of certain ethnic groups better understand how to market to people like them.

The Hong-Page theorem instead concerns specific differences in knowledge, models of the world and problem-solving methods. Page says, “By *diversity*, I mean cognitive differences.”³¹ He elaborates:

Unpacking Diversity

Diverse Perspectives: ways of representing situations and problems

Diverse Interpretations: ways of categorizing or partitioning perspectives

Diverse Heuristics: ways of generating solutions to problems

Diverse Predictive Models: ways of inferring cause and effect³²

Page dedicates hundreds of pages to explaining each of these concepts. To summarize here: people have different ways of thinking about what a problem is, have different models or characterizations of the situation in which the problem occurs, have different tools and methods for solving that problem, have different theories of causation,

30 The distinction Hong and Page have in mind between cognitive and demographic diversity is related, if not the same, to the what is often called surface- versus deep-level diversity. Surface-level diversity concerns “visible” distinctions, such as differences in race or sex. Deep-diversity concerns differences in attitudes, beliefs, values or knowledge. <https://opentextbc.ca/principlesofmanagementopenstax/chapter/an-introduction-to-workplace-diversity/>.

31 Page 2007, 7.

32 Page 2007, 7.

have diverse background knowledge and so on. The Hong-Page theorem claims that combining these diverse intellectual perspectives can improve group performance.

To illustrate, Ben Cohen of Ben and Jerry's ice cream has anosmia, a reduced sense of taste. As a result, Cohen focused more on the texture and mouthfeel of the ice cream. This in turn made Ben and Jerry's ice cream distinctive and helped make the company successful.

It is worth explaining how Hong and Page generate their conclusion. Doing so reinforces why the theorem indeed concerns cognitive diversity. It explains why surface-level or demographic diversity is neither an automatic substitute nor a proxy for cognitive diversity and cannot automatically be expected to promote group performance.³³

The Hong-Page theorem says that cognitive diversity among the participants in a collective decision-making improves the quality of collective decision-making under the right conditions.

In their mathematic proof and computer model, Hong and Page imagine a group working together to solve a problem. The model stipulates the problem is too difficult for one person to solve alone. The group must agree there is a problem, and the group must genuinely attempt to solve that problem together. The theorem does not support the claim that simply throwing diverse people together produces good results. As we will see later, empirical work on diversity validates the claim that making diversity work takes work.

In the model, Hong and Page also stipulate that the cognitively diverse problem-solvers share the same value function; that is, the same ordering of possible outcomes from better to worse. So – and we will return to this shortly – they do not assume that problem-solvers have differences or diversity in *values*. While people have the same values or goals (at least for the problem at hand), they have different perspectives and capabilities in solving the problem.

A fortiori, the model suggests diversity in values among

³³ Desmet, Ortuño-Ortín, and Wacziarg 2017

problem-solvers impedes performance by increasing conflict and preventing people from agreeing on what counts as a solution to the problem. However, this does not mean that ideal groups must be ideologically or morally uniform. Rather, it simply means that for any particular problem, the group should agree on what counts as better or worse solutions to the problem.³⁴

Hong and Page next assume each agent in the group decision-making process has one and only one “heuristic” or method she uses to try to solve the problem. When an agent uses that heuristic, she will get stuck on what she considers the best solution until some other agent with a different perspective or method improves upon it. No agents have internal “cognitive diversity,” so they do not as individuals try different problem-solving heuristics or techniques.

This last assumption is unrealistic. In the real-world, many people have different methods, heuristics and skills and can switch between them. Unrealistic assumptions may explain why (as we will see below) the measured benefits of cognitive diversity are modest. If individuals themselves can switch frameworks, methods and perspectives, they have less to gain from working with others.

Next, the model assumes that whenever one agent becomes stuck when seeking better solutions to the problem, there will always be another agent who can improve upon the first by using a different heuristic. This is what Hong and Page label the “diversity” assumption:

Assumption 2 (Diversity)

There is always another agent who can improve upon the solution to the problem.

This assumption is a simple way to capture the essence of diverse problem-solving approaches. When one agent gets stuck, there is always another agent that can find an improvement due to a different approach.³⁵

Note again that “diversity” here does not signify different demographic identities. It instead means having a different heuristic or problem-solving method that can improve the solution to the problem. This assumption can be unrealistic in the real world. We cannot be sure that there is always someone else in the group who can improve upon the

³⁴ As an illustration: Imagine a committee trying to hire the best finance professor. If the committee agrees publications count more than teaching, they might work together well. If they dispute entirely what counts as “the best,” they might not.

³⁵ Hong and Page 2004.

group's current best solution. This is another reason the measured benefits of diversity turn out to be modest.

Hong and Page further assume that agents will

promote those values is often a complex social-scientific problem requiring specialized knowledge. Why not, then, leave policy decisions to experts or weigh votes according to voter's objective political knowledge?⁴⁰

Many democrats invoke the Hong-Page theorem in response to this challenge. They argue that democracy's main advantage is its intellectual diversity. A large, diverse group of agents should outperform a small group of experts.

Whether deliberative democracy works should depend on how well the group deliberation matches the parameters of the Hong-Page model. If the deliberators have completely different values (in terms of what they would consider a solution

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is neither magic nor automatic.

Fortunately, we might expect corporate decision-making to be less problematic than democratic deliberation. The goal of democratic deliberation is often to produce consensus on policy, but deliberators often have different background values. The Hong-Page model predicts that disagreements over the relevant values will impede group decision-making. In the corporate world, however, it is easier for managers to design contexts where the group deliberators have an agreed-upon value function or goal (such as reducing emissions by 10 percent, increasing

He then checks whether racial diversity is correlated with firm performance while controlling for a wide range of confounding variables, such as firm size, age and gender diversity. He finds that cultural and racial diversity have no statistically significant effect on firm performance.⁶⁰

David Carter et al. examine the relationship between gender and ethnic diversity on U.S. boards and firm financial performance, measured by their returns on assets and Tobin's Quotient (the market value of a company divided by its asset replacement cost). For S&P 500 firms from 1998-2002, the study finds no significant relationship between gender and ethnic diversity of the board, or of major corporate committees, and these measures of financial performance.⁶¹ A similar study finds similar results for small-to-medium enterprises in Italy.⁶²

Isabel Gallego-Alvarez and her co-authors examine the impact of gender diversity on corporate performance in Spain. They find the gender diversity of corporate boards of companies on the Madrid Stock Exchange has no effect on corporate performance on a wide range of measures.⁶³

Miguel Fernández and Fernando Tejerina-Gaite also examine board diversity and firm performance in Spain. They also find no positive evidence that gender diversity promotes corporate outcomes, but they claim *national diversity* – i.e., adding board members from outside Spain – does have a positive relationship with performance.⁶⁴ Other studies also find a positive relationship between board performance and the presence of foreign board members.⁶⁵ This coheres with the Hong-Page model because these studies show that foreignness is a proxy for *cognitive differences*.

Farrell and Hersch wrote a meta-analysis considering data from 20 studies, examining 3,097 companies. Half the companies were from developing countries and half from developed. They find the presence of women on corporate boards is not related to firm financial performance once controls for other factors are introduced.⁶⁶

Caspar Rose finds similar results for Denmark, a country with unusually high levels of equality between men and women and unusually high female board membership.

However, there is no significant relationship between

60 Richard 2000, 171.

61 Carter et al. 2010.

62 Morrone et al. 2022.

63 Gallego-Alvarez et al. 2010.

64 Fernandez-Temprano and Tejerina-Gaite 2020.

65 Cox and Blake 1991; Richard et al. 2013; Estelyi and Nisar 2016;

Bernile et al. 2018; Guest 2019; Katmon et al. 2019.

66 Pletzer et al. 215.

diversity itself has little correlation with performance, but *cultural* diversity, a kind of cognitive diversity, has a positive correlation.

Overall, there is not strong support for the claim that demographic or identity diversity improves corporate performance. Some papers claim a positive correlation, some find a negative one; most commonly, studies find a null relationship, especially when they are careful to control for confounds. Few papers employ even the most basic modern empirical methods necessary to establish causality in the minds of researchers – for instance, they do not exploit natural experiments, use difference-in-differences analysis or employ other advanced statistical techniques.⁸¹ Even the positive papers mostly claim only to establish a correlation, and very few of them even specify an effect size.

In contrast, there is better support for the claim that cognitive diversity tends to improve corporate performance. As Page summarizes:

... teams of people with diverse training and experience typically perform better than more homogenous teams. Studies that isolate diversity in skills, such as between the types of engineers, show evidence that diversity improves performance. Studies of creativity and innovation conclude that cognitive variation is a key explanatory variable. Studies also show that management teams with greater training and experiential diversity typically introduce more innovations. Based on this evidence, organizational scholars generally agree that cognitive diversity improves rates of innovation, though they might not accept that diversity improves performance in all tasks.⁸²

Other work seems to confirm Page's summary.⁸³ As Page himself emphasizes, the benefits of cognitive diversity are modest. Overall, he would still say, we tend to see that cognitive diversity and innovation are found together. For instance, cultural innovations tend to come from diverse

cities where different cultures and ideas collide and are remixed, not from more uniform places.⁸⁴

Empirical Evidence: Diversity and General Trust

Ely and Thomas do not view demographic diversity as a magic performance-enhancer. If not properly managed, they say, diversity can unfortunately induce conflict and impede performance. It is worth further exploring the problem of conflict to see why this is so by sampling the large body of independent evidence on how demographic diversity affects collective action.

The empirical research finds that increased demographic diversity reduces generalized "interpersonal trust" – a concept that refers to "a person's expectation that other persons and institutions in a social relationship can be relied upon to act in ways that are competent, predictable and caring."⁸⁵ An alternative definition focuses on people's general willingness to make themselves vulnerable to others, especially and including strangers.

In short, people who have high interpersonal trust believe others are usually *trustworthy*; that is, they expect that others will keep their word, honor their contracts, act beneficently, avoid cheating and so on. Those with low interpersonal trust instead expect others to lie, cheat and steal when they can. Just as individuals can have high or low trust, so can individual organizations, firms or even entire countries.⁸⁶

High levels of trust reduce transaction costs and make trade, democracy, committee work, sports teams and others forms of collective action function better. When people trust each other, they are more willing to make deals with strangers and require fewer enforcement mechanisms to make such deals. They are more willing to contribute to collective projects without being worried others will free ride or take advantage of them. They are more willing to contribute to welfare and social insurance schemes.⁸⁷ They are more willing to sacrifice for the group. They are less likely to engage in "defensive" cheating or rent-seeking behavior. They are less likely to try to manipulate or control others. In short, trust leads to teamwork; distrust leads to Machiavellian behaviors.

⁸⁴ Glaeser et al. 1992; Glaeser 1994; Glaeser 1999.

⁸⁵ Kasperson et al. 1992; 169.

⁸⁶ Ortiz-Ospina and Roser 2016.

⁸⁷ Alesina et al. 2001.

⁸¹ Yang et al. 2019 notes this point. In contrast, they use more sophisticated statistical techniques and find a negative result.

⁸² Page 2007, 323. Among others, Page cites Williams and O'Reilly, 1998; Laursen et al. 2005; Hofmann 1959; Finkelstein and Hambrick 1990; Bantel and Jackson 1989; Blinder and Morgan 2005.

⁸³ Blinder and John Morgan 2005; Kugler et al. 2012; Rockenbach et al. 2007; Milliken and Martins 1996; Pelled et al. 1999; Crossan and Apaydin 2010; van Knippenberg et al. 2004; Guzzo and Dickson 1996; Van Knippenberg and Schippers 2007; Ostrom 2009; Lakhani et al. 2007; Baranchuk and Dybvig 2009; van den Bergh and Jereon 2008.

sets and problem-solving methods together to work on an agreed-upon task with an agreed-upon goal.

Deliberators must be willing to recognize each other's distinct forms of expertise and listen when others offer real improvements on the group's current solution or conclusion. They must be willing to offer reasons to others and listen to others' reasons. They must be willing admit their own limitations and be able to discern when others' contributions count as improvements.

The evidence does not show that identity and demographic diversity generally improve performance. When they do, it is usually because the kind of demographic diversity in question is a proxy for cognitive diversity. For instance, researchers often find that having board members from other countries with distinct cultures improves performance.

A rainbow of people who think the same way cannot be expected to improve group performance. Worse, because people unfortunately tend to distrust those they regard as different, demographic diversity often is negatively correlated with firm or group performance. This should not be taken as an argument that diversity is bad in and of itself; rather, it means people react badly to diversity.

Managing for diversity is thus a hard task that, Ely and Thomas say, corporate managers tend not to take seriously. Corporate managers often fail to acknowledge how diversity can lead to conflict and fail to examine ways to overcome that conflict. They often engage counterproductive inclusion strategies that can increase mutual distrust and suspicion. They often work hard to increase demographic diversity but do not ensure that strategic teams are composed of cognitively diverse people with distinct skillsets. They might successfully recruit cognitively and demographically diverse employees, but then manage the firm in a way that fosters internal segregation. And, finally, they are often unaware that pushing the business case for diversity often alienates minorities.

The justice case and the business/performance case for DEI are not merely distinct arguments for increasing diversity within business. Rather, they are distinct arguments for distinct kinds of diversity. The arguments are partly at odds with each other.

This is partly because there is philosophical tension between them. If demographic diversity is a matter of justice, then it can be beside the point or even offensive to promote it as a matter of performance. Indeed, as Ely and Thomas argue, making a business or performance case for

demographic diversity tends to alienate the very minorities it is meant to attract or protect.

The two arguments for diversity are at odds in part because they suggest different kinds of enforcement mechanisms. If diversity promotes profitability, that is a reason to promote it, but it is not an obviously *moral* reason, or itself provide reason for *moral* condemnation when business leaders fail to promote it. Instead, we would expect competitive markets themselves to force businesses to be diverse for the same reason we expect such markets to force businesses to adopt other efficient practices.

Insofar as diversity profitability tends to profitability (to justice), it is as **justice**,

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Jason Brennan (Ph.D., 2007, University of Arizona) is Robert J. and Elizabeth Flanagan Family Professor of Strategy, Economics, Ethics, and Public Policy at the McDonough School of Business at Georgetown University. He specializes in politics, philosophy, and economics.

Brennan is director of the Georgetown Institute for the Study of Markets and Ethics. He is the editor of *Public Affairs Quarterly* and an associate editor of *Social Philosophy and Policy*. He is currently overseeing a \$2.1 million project on “Markets, Social Entrepreneurship, and Effective Altruism,” funded by the Templeton Foundation. He serves on the Virginia Advisory Committee to the US Commission on Civil Rights, chairs the Designing the Future(s) Committee at Georgetown, and serves on the Georgetown Faculty Senate.

Brennan is the author of 16 books: *Democracy: A Guided Tour* (Oxford University Press, 2023), *Debating Democracy*, with Hélène Landemore (Oxford University Press, 2021), *Business Ethics for Better Behavior*, with William English, John Hasnas, and Peter Jaworski (Oxford University Press, 2021), *Why It’s OK to Want to Be Rich* (Routledge Press 2020), *Good Work if You Can Get It* (Johns Hopkins University Press, 2020); *Injustice for All: America’s Dysfunctional Criminal Justice System and How to Fix It*, with Christopher Surprenant (Routledge, 2019); *Cracks in the Ivory Tower: The Moral Mess of Higher Education*, with Phil Magness (Oxford University

Press, 2019); *When All Else Fails: Resistance, Violence, and State Injustice* (Princeton University Press, 2018); *In Defense of Openness: Global Justice as Global Freedom* (Oxford University Press, 2018), with Bas van der Vossen; *Against Democracy* (Princeton University Press, 2016); *Markets without Limits*, with Peter Jaworski (Routledge Press, 2016); *Compulsory Voting: For and Against*, with Lisa Hill (Cambridge University Press, 2014); *Why Not Capitalism?* (Routledge Press, 2014); *Libertarianism: What Everyone Needs to Know* (Oxford University Press, 2012); *The Ethics of Voting* (Princeton University Press, 2011);

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PO Box 750333
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