

Unit 1

BBM 208/05

Business Ethics

Foundations of Business Ethics

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Course Overview

Business ethics course is not a complicated course. Ethics are useful in business and it is a serious subject for executives, managers and employees. A simple way to evaluate whether or not a practice is ethical is to determine the ultimate effect of that practice. For example, if the manager of a store paid his/her cleaning employee less than the going rate to clean his/her store, knowing exactly what the going rate is, several things could happen to damage the business. The employee could suffer serious financial implications or the employee could leave and find another position where he/she does not feel exploited.

To understand the importance of ethics in business, you will want to understand how business ethics affect those involved. The ethics of a business collectively and of those involved, have the power to help or harm people. Business ethics are important because if an organisation lacks ethics, the employees, the customers, and everyone else involved with the company can be harmed.

The subject of ethics is often considered abstract or relative by those who believe that rules do not always apply to them. Rules and laws apply to everyone. It is unfortunate that some employees in the upper echelons of the corporate ladder decide to act unethically, but it is a fact of business and of life. For this reason, it is best for a business to be careful of who they promote within their company.

The purpose of this course is to expose you to the important moral issues that arise in various business contexts; to provide you with understanding of the moral, social, and economic environments within which those problems occur; to introduce you to the ethical concepts that are relevant, and to assist you in developing the necessary reasoning and analytical skills for doing so. This course is organised into five units addressing topics of business ethics in business environment.

Unit 1 introduces the fundamental theories of business ethics. Unit 2 discusses employee ethics. Unit 3 will look at managerial ethics while Unit 4 will look the responsibility of the business organisation. Unit 5 ends with a discussion on organisational ethics.

By the end of this course, you should be able to:

1. Introduce the fundamental theories of business ethics.
2. Describe the role of employee ethics in business organisations.
3. Apply managerial ethics in business organisations.
4. Review the responsibilities of business organisations.
5. Analyse the ethics faced by organisations and the environment.

Unit Overview

Ethical theories and principles are the foundations of ethical analysis because they are the viewpoints from which guidance can be obtained along the pathway to a decision. Each theory emphasizes different points such as predicting the outcome and following one's duties to others in order to reach an ethically correct decision. However, in order for an ethical theory to be useful, the theory must be directed towards a common set of goals. Ethical principles are the common goals that each theory tries to achieve in order to be successful. These goals include beneficence, least harm, respect for autonomy and justice

Ethical theories each emphasize different aspects of an ethical dilemma and lead to the most ethically correct resolution according to the guidelines within the ethical theory itself. People usually base their individual choice of ethical theory upon their life experiences

Unit Objectives

By the end of Unit 1, you should be able to:

1. Discuss the fundamentals of business ethics.
2. Distinguish between the theory of duties and rights: Kant and Rawls.
3. Compare the theories of consequence ethics: Consequentialism, Utilitarianism, Altruism and Egoism.
4. Examine the theories responding to the challenge of Cultural Relativism: Nietzsche's Eternal Return of the Same, Cultural Ethics, Virtue Theory, Discourse Ethics and the Ethics of Care.

1.1 What is Business Ethics?

Objectives

By the end of this section, you should be able to:

1. Define the components of business ethics.
2. Outline how business ethics works.
3. Distinguish the place of business ethics within the larger field of decision making.
4. Sketch the historical development of business ethics as a coherent discipline.
5. Articulate two extreme views of business ethics.
6. Describe the sense in which business ethics is inevitable.

Introduction

What does it mean to say a business practice does not “pass the smell test”? And what would happen if someone read the article and said “Well, to me it smells all right”? If no substance fills out the idea, if there is no elaboration, then there probably would not be much more to say. The two would agree to disagree and move on. Normally, that is acceptable; no one has time to debate everything. But if you want to get involved — if you are like Wagoner who sounds angry about what is going on and maybe wants to change it — you will need to do more than make comments about how things hit the nose.

What is business ethics?

Doing business ethics means providing reasons for how things ought to be in the economic world. This requires the following:

1. **Arranging values to guide decisions**

There needs to be a clearly defined and well-justified set of priorities about what is worth seeking and protecting and what other things we are willing to compromise or give up. For example, what is more important and valuable: consumers (in this case students paying for an education) getting their books cheaply or protecting the rights of the university to run the business side of its operation as it sees fit?

2. Understanding the facts

To effectively apply a set of values to any situation, the situation itself must be carefully defined. Who, for example, is involved in the textbook conflict? Students, clearly, as well as university administrators. What about parents who frequently subsidise their college children? Are they participants or just spectators? What about those childless men and women in Alabama whose taxes go to the university? Are they involved? And how much money are we talking about? Where does it go? Why? How and when did all this get started?

3. Constructing arguments

This shows how, given the facts, one action serves our values better than other actions. While the complexities of real life frequently disallow absolute proofs, there remains an absolute requirement of comprehensible reasoning. Arguments need to make sense to outside observers. In simple, practical terms, the test of an ethical argument resembles the test of a recipe for a cook: others need to be able to follow it and come to the same result. There may remain disagreements about facts and values at the end of an argument in ethics, but others need to understand the reasoning marking each step taken on the way to your conclusion.

Finally, the last word in ethics is a determination about right and wrong. This actual result, however, is secondary to the process: the verdict is only the remainder of forming and debating arguments. That is why doing ethics is not brainwashing. Conclusions are only taken seriously if composed from clear values, recognised facts, and solid arguments.

Captive customers

Ann Marie Wagoner studies at the University of Alabama (UA). She pays \$1,200 a year for books, which is exasperating, but what really ticks her off is the text for her composition class. Called *A Writer's Reference (Custom Publication for the University of Alabama)*, it's the same *Writer's Reference* sold everywhere else, with slight modifications: there are thirty-two extra pages describing the school's particular writing program, the Alabama A is emblazoned on the front cover, there's an extra \$6 on the price tag (compared with the price of the standard version when purchased new), and there's an added sentence on the back: "This book may not be bought or sold used." The modifications are a collective budget wrecker. Because she's forced to buy a new copy of the customized Alabama text, she ends up paying about twice what she'd pay for a used copy of the standard, not-customized book that's available at Chegg.com and similar used-book dealers.

For the extra money, Wagoner doesn't get much — a few additional text pages and a school spirit cover. Worse, those extra pages are posted free on the English department's website, so the cover's the only unambiguous benefit. Even there, though, it'd be cheaper to just buy a UA bumper sticker and paste it across the front. It's hard to see, finally, any good reason for the University of Alabama English Department to snare its own students with a textbook costing so much.

Things clear up when you look closely at the six-dollar difference between the standard new book cost and the customized UA version. Only half that money stays with the publisher to cover specialized printing costs. The other part kicks back to the university's writing program, the one requiring the book in the first place. It turns out there's a quiet moneymaking scheme at work here: the English department gets some straight revenue, and most students, busy with their lives, don't notice the royalty details. They get their books, roll their eyes at the cash register, and get on with things.

Wagoner noticed, though. According to an extensive article in the *Wall Street Journal*, she calls the cost of new custom books "ridiculous." She's also more than a little suspicious about why students aren't more openly informed about the royalty arrangement: "They're hiding it so there isn't a huge uproar."

Hechinger, J (2008) 'As textbooks go 'custom,' students pay: Colleges receive royalties for school-specific editions; barrier to secondhand sales,' *Wall Street Journal*, 10th July, <http://online.wsj.com/article/SB121565135185141235.html>. (Accessed 11 May 2011)

While it may be true that the University of Alabama is hiding what is going on, they are definitely not doing a very good job since the story ended up splattered across the *Wall Street Journal*. One reason the story reached one of the United States' largest circulation dailies is that a lot of universities are starting to get in on the cash. Printing textbooks within the kickback model is, according to the article, the fastest growing slice of the \$3.5 billion college textbook market.

The money is there, but not everyone is eager to grab it. James Koch, an economist and former president of Old Dominion University and the University of Montana, advises schools to think carefully before tapping into customised-textbook dollars because, he says, the whole idea "treads right on the edge of what I would call unethical behavior. I'm not sure it passes the smell test."

Bringing ethics to kickback textbooks

The *Wall Street Journal* article on textbooks and kickbacks to the university is a mix of facts, values, and arguments. They can be sorted out; an opportunity to do the sorting is provided by one of the article's more direct assertions:

Royalty arrangements involving specially made books may violate colleges' conflict-of-interest rules because they appear to benefit universities more than students.

A **conflict of interest** occurs *when an organisation pledges to serve the interest of students but finds that its own interest is served by not doing that*. It does not sound like this is a good thing (in the language of the article, it smells bad). But to reach that conclusion in ethical terms, the specific values, facts, and arguments surrounding this conflict need to be defined.

Start with the **values**. The *priorities and convictions* underneath the conflict-of-interest accusation are clear. When a university takes tuition money from a student and promises to do the best job possible in providing an education to the student,

then it better do that. The truth matters. When you make a promise, you have got to fulfill it. Now, this fundamental value is what makes a conflict of interest worrisome. If we did not care about the truth at all, then a university promising one thing and doing something else would not seem objectionable. In the world of poker, for example, when a player makes a grand show of holding a strong hand by betting a pile of chips, no one calls him a liar when it is later revealed that the hand was weak. The truth is not expected in poker, and bluffing is perfectly acceptable. Universities are not poker tables, though. Many students come to school expecting honesty from their institution and fidelity to agreements. To the extent these values are applied, a conflict of interest becomes both possible and objectionable.

With the core value of honesty established, what are the facts? The “who is involved?” question brings in the students buying the textbooks, the company making the textbooks (Bedford/St. Martin’s in Boston), and the University of Alabama. As drawn from the UA web page, here is the school’s purpose, the reason it exists in the first place: “The University of Alabama is a student-centered research university and an academic community united in its commitment to enhancing the quality of life for all Alabamians.”

Moving to the financial side, specific dollar amounts should be listed (the textbook’s cost, the cost for the non-customised version). Also, it may be important to note the financial context of those involved: in the case of the students, some are comfortably wealthy or have parents paying for everything, while others live closer to their bank account’s edge and are working their way through school.

Finally, the actual book-selling operation should be clearly described. In essence, what is going on is that the UA English Department is making a deal with the Bedford/St. Martin’s textbook company. The university proposes, “If you give us a cut of the money you make selling textbooks, we’ll let you make more money off our students.” Because the textbooks are customised, the price goes up while the supply of cheap used copies (that usually can be purchased through the Internet from stores across the nation) goes way down. It is much harder for UA students to find used copies, forcing many to buy a new version. This is a huge windfall for Bedford/St. Martin’s because, for them, every time a textbook is resold used, they lose a sale. On the other side, students end up shelling out the maximum money for each book because they have to buy new instead of just recycling someone else’s from the previous year. Finally, at the end of the line there is the enabler of this operation, the English department that both requires the book for a class and has the book customised to reduce used-copy sales. They get a small percentage of Bedford/St. Martin’s extra revenue.

With values and facts established, an argument against kickback textbooks at Alabama can be drawn up. By customising texts and making them mandatory, UA is forcing students to pay extra money to take a class: they have to spend about thirty dollars extra, which is the difference between the cost of a new, customised textbook and the standard version purchased used. Students generally do not have a lot of money, and while some pass through school on the parental scholarship, others scrape by and have to work a McJob to make ends meet. So for at least

some students, that thirty dollars directly equals time that could be spent studying, but that instead goes to flipping burgers. The customised textbooks, consequently, hurt these students' academic learning in a measurable way. Against that reality there is the university's own claim to be a "student-centered" institution. Those words appear untrue, however, if the university is dragging its own students out of the library and forcing them to work extra hours. To comply with its own stated ideals — to serve the *students'* interests — UA should suspend the kickback textbook practice. It is important to do that, finally, because fulfilling promises is valuable; it is something worth doing.

Argument and counter-argument

The conclusion that kickback textbooks turn universities into liars does not end debate on the question. In fact, because well developed ethical positions expose their reasoning so openly (as opposed to "it doesn't smell right"), they tend to invite responses. One characteristic, in other words, of good ethical arguments is that, paradoxically but not contradictorily, they tend to provoke counterarguments.

Broadly, there are three ways to dispute an argument in ethics. You can attack the:

1. Facts.
2. Values.
3. Reasoning.

In the textbook case, disputing the facts might involve showing that students who need to work a few extra hours to afford their books do not subtract that time from their studying; actually, they subtract it from late-night hours pounding beers in dank campus bars. The academic damage done, therefore, by kickback textbooks is zero. Pressing this further, if it is true that increased textbook prices translate into less student partying, the case could probably be made that the university actually serves students' interests — at least those who drink too much beer — by jacking up the prices.

The values supporting an argument about kickback textbooks may, like the facts, be disputed. Virginia Tech, for example, runs a text-customisation program like Alabama's. According to Tech's English Department chair Carolyn Rude, the customised books published by Pearson net the department about \$20,000 a year. Some of that cash goes to pay for instructors' travel stipends. These are not luxury retreats to Las Vegas or Miami; they are gatherings of earnest professors in dull places for discussions that reliably put a few listeners to sleep. When instructors — who are frequently graduate students — attend, they are looking to burnish their curriculum vitae and get some public responses to their work. Possibly, the trip will help them get a better academic job later on. Regardless, it will not do

much for the undergraduates at Virginia Tech. In essence, the undergrads are being asked to pay a bit extra for books to help graduate students hone their ideas and advance professionally.

Can that tradeoff be justified? With the right values, yes. It must be conceded that Virginia Tech is probably rupturing a commitment to serve the undergrads' interest. Therefore, it is true that a certain amount of dishonesty shadows the process of inflating textbook costs. If, however, there is a higher value than truth, that will not matter so much. Take this possibility: what is right and wrong is not determined by honesty and fidelity to commitments, but the general welfare. The argument here is that while it is true that undergrads suffer a bit because they pay extra, the instructors receiving the travel stipends benefit a lot. Their knowledge grows, their career prospects improve, and in sum, they benefit so much that it entirely outweighs the harm done to the undergrads. As long as this value — the greatest total good — frames the assessment of kickback textbooks, the way is clear for Tech or Alabama to continue the practice. It is even recommendable.

The final ground on which an ethical argument can be refuted is the reasoning. Here, the facts are accepted, as well as the value that universities are duty bound to serve the interests of the tuition-paying undergraduate students since that's the commitment they make on their web pages. What can still be debated, however, is the extent to which those students may actually benefitted by customising textbooks. Looking at the *Wall Street Journal* article, several partially developed arguments are presented on this front. For example, at Alabama, part of the money collected from the customised texts underwrites teaching awards, and that, presumably, motivates instructors to perform better in the classroom, which ends up serving the students' educational interests. Similarly, at Virginia Tech, part of the revenue is apportioned to bring in guest speakers, which should advance the undergraduate educational cause. The broader argument is that while it is true that the students are paying more for their books than peers at other universities, the sequence of reasoning does not necessarily lead from that fact to the conclusion that there is a reproachable conflict of interest. It can also reach the verdict that students' educational experience is improved; instead of a conflict of interest, there is an elevated commitment to student welfare inherent in the kickback practice.

Conclusion

There is no irrefutable answer to the question about whether universities ought to get involved in kickback textbooks. What is clear, however, is that there is a difference between responding to them by asserting that something does not smell right, and responding by uniting facts, values, and reasoning to produce a substantial ethical argument.



Activity 1.1

1. What does it mean to dispute an argument on the basis of facts?
2. What does it mean to dispute an argument on the basis of values?
3. What does it mean to dispute an argument on the basis of reasoning?

The place of business ethics

Morality, ethics, and metaethics: What is the difference?

The back and forth of debates about kickback textbooks occurs on one of the three distinct levels of consideration about right and wrong. Morals occupy the lowest level; they are the direct rules we ought to follow. Two of the most common moral dictates are *do not lie* and *do not steal*. Generally, the question to ask about a moral directive is whether it was obeyed. Specifically in the case of university textbooks, the debate about whether customised textbooks are a good idea is not morality. It is not because morality does not involve debates. **Morality only involves specific guidelines that should be followed**; it only begins when someone walks into a school bookstore, locates a book needed for a class, strips out the little magnetic tag hidden in the spine, and heads for the exit.

Above all morality there is broader question about exactly what *specific rules should be instituted and followed*. Answering this question is **ethics**. Ethics is the morality factory, the production of guidelines that later may be obeyed or violated. It is not clear today, for example, whether there should be a moral rule prohibiting kickback textbooks. There are good arguments for the prohibition (universities are betraying their duty to serve students' interests) and good arguments against (schools are finding innovative sources of revenue that can be put to good use). For that reason, it is perfectly legitimate for someone like Ann Marie Wagoner to stand up at the University of Alabama and decry the practice as wrong. But she'd be going too far if she accused university administrators of being thieves or immoral. They are not; they are on the other side of an ethical conflict, not a moral one.

Above both morality and ethics there are debates about **metaethics**. These are *the most abstract and theoretical discussions surrounding right and wrong*. The questions asked on this level include the following: Where do ethics come from? Why do we have ethical and moral categories in the first place? To whom do the rules apply? Babies, for example, steal from each other all the time and no one accuses them of being immoral or insufficiently ethical. Why is that? Or putting the same question in the longer terms of human history, at some point somewhere in the past someone must have had a lightbulb turn on in their mind and asked, "Wait, is stealing wrong?" How and why, those interested in metaethics ask, did that happen?

Some believe that morality is transcendent in nature — that the rules of right and wrong come from beyond you and me and that our only job is to receive, learn, and obey them. Divine command theory, for example, understands earthly morality as a reflection of God. Others postulate that ethics is very human and social in nature — that it is something we invented to help us live together in communities. Others believe there's something deeply personal in it. When I look at another individual I see in the depth of their difference from myself a requirement to respect that other person and his or her uniqueness, and from there, ethics and morality unwind. These kinds of metaethical questions, finally, are customarily studied in philosophy departments.

Conclusion

Morality is the rules, ethics is the making of rules, and metaethics concerns the origin of the entire discussion. In common conversation, the words morality and ethics often overlap. It is hard to change the way people talk and, in a practical field like business ethics, fostering the skill of debating arguments is more important than being a stickler for words, but it is always possible to keep in mind that, strictly speaking, morality and ethics hold distinct meanings.

What is the difference between normative ethics and descriptive ethics?

Business ethics is **normative**, which means *it concerns how people ought to act*. **Descriptive ethics** depicts *how people actually are acting*.

At the University of Alabama, Virginia Tech, and anywhere kickback textbooks are being sold, there are probably a few students who check their bank accounts, find that the number is low, and decide to mount their own kickback scheme: refund the entire textbook cost to themselves by sneaking a copy out of the store. Trying to make a decision about whether that is justified — *does economic necessity license theft in some cases?* — is normative ethics. By contrast, investigating to determine the exact number of students walking out with free books is descriptive. So too is tallying the reasons for the theft: How many steal because they do not have the money to pay? How many accuse the university of acting dishonestly in the first place and say that licenses theft? How many question the entire idea of private property?

The fields of descriptive ethics are many and varied. Historians trace the way penalties imposed for theft has changed over time. Anthropologists look at the way different cultures respond to thievery. Sociologists study the way publications, including Abbie Hoffman's incendiary book titled *Steal This Book*, have changed public attitudes about the ethics of theft. Psychologists are curious about the subconscious forces motivating criminals. Economists ask whether there is a correlation between individual wealth and the kind of moral rules subscribed to. None of this depends on the question about whether stealing may actually be justifiable, but all of it depends on stealing actually happening.

The historical development of business ethics

The long philosophical tradition of ethical thought contains the subfield of business ethics. Business ethics, in turn, divides between ethics practiced by people who happen to be in business and business ethics as a coherent and well-defined academic pursuit.

People in business, like everyone else, have ethical dimensions to their lives. For example, the company W. R. Grace was portrayed in the John Travolta movie *A Civil Action* as a model of bad corporate behaviour. Steven Zaillian (director), *A Civil Action* (New York: Scott Rudin, 1998) film. What not so many people know, however, is that the corporation's founder, the man named W. R. Grace, came to America in the nineteenth century, found success, and dedicated a significant percentage of his profits to a free school for immigrants that still operates today.

Even though questions stretch deep into the past about what responsibilities companies and their leaders may have besides generating profits, the academic world began seriously concentrating on the subject only very recently. The first full-scale professional conference on academic business ethics occurred in 1974 at the University of Kansas. A textbook was derived from the meeting, and courses began appearing soon after at some schools.

By 1980 some form of a unified business ethics course was offered at many of the nation's colleges and universities.

Academic discussion of ethical issues in business was fostered by the appearance of several specialised journals, and by the mid-1990s, the field had reached maturity. University classes were widespread, allowing new people to enter the study easily. A core set of ideas, approaches, and debates had been established as central to the subject, and professional societies and publications allowed for advanced research in and intellectual growth of the field.

The development of business ethics inside universities corresponded with increasing public awareness of problems associated with modern economic activity, especially on environmental and financial fronts. In the late 1970s, the calamity in the Love Canal neighbourhood of Niagara Falls, New York, focused international attention on questions about a company's responsibility to those living in the surrounding community and to the health of the natural world. The Love Canal's infamy began when a chemical company dumped tons of toxic waste into the ground before moving away. Despite the company's warnings about the land's toxicity, residential development spread over the area. Birth defects and similar maladies eventually devastated the families. Not long afterward and on the financial front, an insider trading scandal involving the Wall Street titan Ivan Boesky made front pages, which led John Shad, former head of the Securities and Exchange Commission, to donate \$20 million to his business school alma mater for the purpose of ethics education. Parallel (though usually more modest) money infusions went to university philosophy departments. As a discipline, business ethics naturally bridges the two divisions of study since the theory and tools for

resolving ethical problems come from philosophy, but the problems for solving belong to the real economic world.

Today, the most glamorous issues of business ethics involve massively powerful corporations and swashbuckling financiers. Power and celebrity get people's attention. Other, more tangible issues do not appear in so many headlines, but they are just as important to study since they directly reach so many of us: What kind of career is worth pursuing? Should I lie on my résumé? How important is money?



Activity 1.2

1. List two basic questions belonging to the field of morality.
 2. List two basic questions belonging to the field of ethics.
 3. What is an example of normative ethics? And descriptive ethics?
-

Is business ethics necessary?

Two extreme views of the business world

At the boundaries of the question about whether business ethics is necessary, there are conflicting and extreme perceptions of the business world. In graphic terms, these are the views:

1. Business needs policing because it is a dirty enterprise featuring people who get ahead by being selfish liars.
2. Successful businesses work well to enrich society, and business ethicists are interfering and annoying scolds threatening to ruin our economic welfare.

A 1987 *New York Times* article titled “Suddenly, Business Schools Tackle Ethics” begins this way:

“Insider-trading scandals in the last year have badly tarnished the reputations of some of the nation’s most prominent financial institutions. Nor has Wall Street been the only area engulfed in scandal; manufacturers of products from contraceptives to military weapons have all come under public scrutiny recently for questionable — if not actionable — behavior.”

Salmans, S (1987) ‘Suddenly, business schools tackle ethics,’ *New York Times*, 2nd August, <http://www.nytimes.com/1987/08/02/education/suddenly-business-schools-tackle-ethics.html> (Accessed 11 May 2011).

Slimy dealing verging on the illegal, the message is, stains the economic world from one end to the other. A little further into the article, the author possibly gives away her deepest feelings about business when she cracks that business ethics is “an oxymoron.”

What will business leaders — and anyone else for that matter — do when confronted with the accusation of sliminess? Possibly embrace it — an attitude facilitated by an infamous article originally published in the *Harvard Business Review*. In “Is Business Bluffing Ethical?,” the author suggests businessmen and women should double down on the strategy of getting ahead through deceit because if you are in business, then everyone already knows you are a liar anyway. And since that is common knowledge, taking liberties with the truth does not even count as lying: there is no moral problem because that is just the way the business game is played. In the author’s words, “Falsehood ceases to be falsehood when it is understood on all sides that the truth is not expected to be spoken — an exact description of bluffing in poker, diplomacy, and business.”

Carr, A (1986) ‘Is business bluffing ethical?,’ *Harvard Business Review* 46 (January – February), 143 – 153.

The basic argument is strong. Ethically, dishonesty stops being approachable — it stops being an attempt to mislead — when everyone knows that you are not telling the truth. If it were not for that loophole, it would be difficult to enjoy movies. Spiderman swinging through New York City skyscrapers is not a lie, it is just fun because everyone agrees from the beginning that the truth does not matter on the screen.

The problem with applying this logic to the world of commerce, however, is that the original agreement is not there. It is not true that in business everyone knows there is lying and accepts it. In poker, presumably, the players choosing to sit down at the table have familiarised themselves with the rules and techniques of the game and, yes, do expect others to fake a good hand from time to time. It is easy to show, however, that the expectation does not generally hold in office buildings, stores, showrooms, and sales pitches. Take, for example, a car advertisement claiming a certain model has a higher resale value, has a lower sticker price, or can go from zero to sixty faster than its competition. People in the market for a new car take those claims seriously. If they are prudent, they will check just to make sure (an economic form of “trust but verify”), but it is pretty rare that someone sitting in front of the TV at home chuckles and calls the claim absurd. In poker, on the other hand, if another player makes a comparable claim (“I have the highest hand at the table!”), people just laugh and tell the guy to keep drinking. Poker is not like business.

The argument that bluffing — lying — in business is acceptable because everyone does it and everyone knows everyone is doing it does not hold up. However, the fact that someone could seriously *make* the argument (and get it published in the *Harvard Business Review* no less) certainly provides heavy ammunition for those who believe that most high-level businesspeople — like those who read the *Harvard Business Review* — should have a hard time looking at themselves in the mirror in the morning.

Opposing the view that business life is corrupt and needs serious ethical policing, there is the view that economic enterprises provide wealth for our society while correcting their own excesses and problems internally. How does the correction work? Through the marketplace. The pressures of demanding consumers force companies into reputable behaviour. If a car manufacturer lies about its product, there may be a brief uptick in sales, but eventually people will figure out what is going on, spread the word at the water cooler and on Facebook, and in the end the company's sales will collapse. Similarly, bosses that abuse and mistreat subordinates will soon find that no one wants to work for them. Workers who cheat on expense reports or pocket money from the till will eventually get caught and fired. Of course it must be admitted that some people sometimes do get away with something, but over the long run, the forces of the economic world inexorably correct abuses.

If this vision of business reality is correct, then adding another layer of academic ethics onto what is already going on in the real world is not necessary. More, those who insist on standing outside corporate offices and factory buildings preaching the need for oversight and remedial classes in morality become annoying nags. That is especially true if the critics are not directly doing business themselves. If they are ensconced in university towers and gloomy libraries, there may even be a suspicion that what really drives the call to ethics is a burning resentment of all the money Wall Street stars and captains of industry seem to make, along with their flashy cars, palatial homes, and luxurious vacations.

An issue of the Cato Institute's *Policy Report* from 2000 carries an article titled "Business Ethics Gone Wrong." It asserts that some proponents of business ethics are not only bothersomely envious — their resentment-fueled scolding actually threatens our collective economic welfare. Business ethics, according to the author, "is fundamentally antagonistic to capitalist enterprise, viewing both firm and manager as social parasites in need of a strong reformative hand."

Marcoux, A M (2000) 'Business ethics gone wrong,' *Cato Policy Report* 22, no. 3 (May/June) http://www.cato.org/pubs/policy_report/v22n3/cpr-22n3.html (Accessed 11 May 2011).

These reforms — burdensome regulations, prying investigations, and similar ethical interventions — threaten to gum up the capitalist engine: "If the market economy and its cornerstone, the shareholder-oriented firm, are in no danger of being dealt a decisive blow, they at least risk death by a thousand cuts."

Marcoux, A M (2000) 'Business ethics gone wrong,' *Cato Policy Report* 22, no. 3 (May/June) http://www.cato.org/pubs/policy_report/v22n3/cpr-22n3.html (Accessed 11 May 2011).

There is a problem with this perspective on the business world. Even if, for the sake of argument, it is acknowledged that economic forces effectively police commerce, that does not mean business ethics is unnecessary or a threat to the market economy. The opposite is the case: the view that the marketplace solves most problems is an ethics. It is a form of egoism, a theory to be developed in

later chapters but with values and rules that can be rapidly sketched here. What is most valued from this perspective is our individual welfare and the freedom to pursue it without guilt or remorse. With that freedom, however, comes a responsibility to acknowledge that others may be guided by the same rules and therefore we are all bound by the responsibility to look out for ourselves and actively protect our own interests since no one will be doing it for us. This is not to confirm that all businesspeople are despicable liars, but it does mean asserting that the collective force of self-interest produces an ethically respectable reality. Right and wrong comes to be defined by the combined force of cautious, self-interested producers and consumers.

In the face of this argument defending a free-for-all economic reality where everyone is doing the best they can for themselves while protecting against others doing the same, objections may be constructed. It could be argued, for example, that the modern world is too complex for consumers to adequately protect their own interests all the time. No matter how that issue gets resolved, however, the larger fact remains that trusting in the marketplace is a reasonable and defensible ethical posture; it is a commitment to a set of values and facts and their combination in an argument affirming that the free market works to effectively resolve its own problems.

Conclusion

It is not true that doing business equals being deceitful, so it is false to assert that business ethics is necessary to cure the ills of commerce. It is true that the business world may be left to control its own excesses through marketplace pressure, but that does not mean business escapes ethics.



Summary

Business ethics are moral principles that guide the way a business behaves. The same principles that determine an individual's actions also apply to business.

Acting in an ethical way involves distinguishing between “right” and “wrong” and then making the “right” choice. It is relatively easy to identify unethical business practices. For example, companies should not use child labour. They should not unlawfully use copyrighted materials and processes. They should not engage in bribery.



Self-test 1.1

Why is business ethics unavoidable? Explain this idea in your own words.

Suggested answers to activities



Feedback

Activity 1.1

1. From the textbook case study, to dispute an argument on the basis of facts means that the students' argument needs to be supported by facts found in textbooks, journals, articles which students will need to spend more time to search for the facts. However, facts may be disputed as authors may have differing opinions.
2. Like facts, arguments based on values may also be disputed due to differing values from authors. However, if there is a higher value than the truth, what is right or wrong will not be determined by honesty and fidelity to commitments but the general welfare. As long as the value is able to provide the greatest number of good to the student community in the textbook case study, it is recommended that argument based on values to continue.
3. From the textbook case study, the facts are accepted, the values which the universities are bound to serve the interest of the students as it is their commitment to the students. However, what is debatable is the extent to which the students may actually benefit from customising textbooks. The developing argument is that part of the money collected from the customised textbook underwrites teaching awards, presumably motivates the instructors to perform better, which indirectly serves the students' interest. The broader argument is that while it is true that students are paying more for customised textbooks than their peers at other universities, this sequence of reasoning may lead to the possible conclusion that there is a conflict of interest. The argument may also lead to the verdict that the students' educational experience has improved; instead of a conflict of interest, there is an elevated commitment to the students' welfare from the kickback practice.

Activity 1.2

1. Two basic questions belonging to the field of morality:
 - a. Did you lie?
 - b. Did you steal?

2. Two basic questions belonging to the field of ethics:
 - a. What shall I do?
 - b. What I ought to do?

 3. Normative ethics concerns on how people ought to act while descriptive ethics depicts how people are actually acting.
 - a. Example of normative ethics — students should not cheat in an examination.
 - b. Examples of descriptive ethics — students do cheat in an examination.
-

1.2 Theories of Duties and Rights: Traditional Tools for Making Decisions in Business

Objectives

By the end of this section, you should be able to:

1. Distinguish ethical theory centered on means from theory centered on ends.
2. Define an ethical duty and specific duties.
3. Explain how ethical duties work in business, its advantages and disadvantages.
4. Define Immanuel Kant's categorical imperative and its functions in business.
5. Discuss the advantages and drawbacks of an ethics based on the categorical imperative.
6. Define an ethical right and specific rights.
7. Explain how ethical rights work in business, its advantages and disadvantages.

Introduction

This section examines some theories guiding ethical decisions in business. It considers ethics defined by duties and rights.

The foundational question: The means justify the ends versus the ends justify the means

In business ethics, do the means justify the ends, or do the ends justify the means? Is it better to have a set of rules telling you what you ought to do in any particular situation and then let the chips fall where they may, or should you worry more about how things are going to end up and do whatever's necessary to reach that goal?

Until recently, Eddy Lepp ran an organic medicine business in Northern California. His herbal product soothed nausea and remedied vomiting, especially as suffered by chemo patients. He had a problem, though. While his business had been approved by California regulators, federal agencies had not approved: on the national level, selling his drug was breaking the law. On the other hand, not selling his remedy had a significant downside: it was consigning his clients to debilitating suffering. So when federal agents came knocking on his door, he had to make a decision.

If the means justify the ends — if you should follow the rules no matter the consequences — then when the agents ask Lepp point blank whether he is selling the medicine, the ethical action is to admit it. He should tell the truth even though that will mean the end of his business. On the other hand, if the ends justify the means — if your ethical interest focuses on the consequences of an act instead of what you actually do — then the ethics change. If there is a law forcing people to suffer unnecessarily, it should be broken. And when the agents ask him whether he is selling, he is going to have an ethical reason to lie.

Across the entire field of traditional ethics, this is a foundational distinction. Is it what you do that matters, or the consequences? It is hard to get oriented in ethics without making a preliminary decision between these two. No one can make the decision for you, but before anyone can make it, an understanding of how each works should be reached. This section will consider ethics as focusing on the specific act and not the consequences.



Activity 1.3

1. Your mother is ill with diabetes, and you cannot afford her medicine. In the pharmacy one day, you notice the previous customer forgot that same prescription on the counter when she left. Why might the premise that the ends justify the means lead you to steal the pills?

Perennial duties

Duties

“Should I steal that?”

“No, stealing’s wrong.”

Basic ethics. There are things that are right and others that are wrong, and the discussion ends. This level of clarity and solidity is the main strength of an ethics based on duties. We all have a duty not to steal, so we should not do it. More broadly, when we are making moral decisions, the key to deciding well is understanding what our duties are and obeying them. An ethics based on duties is one where certain rules tell us what we ought to do, and it is our responsibility to know and follow those rules.

The Madoff Family

If we are supposed to obey our duties, then what exactly *are* they? That is a question Andrew Madoff faced in December 2008 when he learnt that some — maybe most, maybe all — of the money he and his family had been donating to the charitable Lymphoma Research Foundation and similar medical investigation enterprises was, in fact, stolen.

It was big money — in the millions — channeled to dedicated researchers hot on the trail of a remedy for lymphoma, a deadly cancer. Andrew, it should be noted, wasn't only a cancer altruist; he was also a victim, and the charitable money started flowing to the researchers soon after he was diagnosed.

It's unclear whether Andrew knew the money was stolen, but there's no doubt that his dad did. Dad — Bernard "Bernie" Madoff — was the one who took it. The largest Ponzi scheme in history, they call it.

A Ponzi scheme — named after the famous perpetrator Charles Ponzi — makes suckers of investors by briefly delivering artificially high returns on their money. The idea is simple: You take \$100 from client A, promising to invest the money cleverly and get a massive profit. You spend \$50 on yourself, and at the end of the year, you send the other \$50 back to the client along with a note saying that the original \$100 investment is getting *excellent* results and another \$50 should come in next year and every year from then on. Happy client A recommends friends, who become clients B, C, and D. They bring in a total of \$300, so it's easy to make good on the original promise to send a \$50 return the next year to client A. And you've now got \$250 remaining from these three new clients, \$150 of which you will soon return to them (\$50 for each of the three new clients), leaving you with \$100 to spend on yourself. The process repeats, and it's not long before people are lining up to hand over their money. Everyone makes off like bandits.

Bandit is the right term for Madoff, who ran his Ponzi empire for around fifteen years. So many people handed over so much cash, and the paper trail of fake stock-purchase receipts and the rest grew so complicated that it's impossible to determine exact numbers of victims and losses. Federal authorities have estimated the victims were around five thousand and the losses around \$65 billion, which works out to about \$13 million squeezed from each client.

Madoff had, obviously, rich clients. He met them at his home in New York City; at his mansion in hyperwealthy Palm Beach, Florida; or on his fifty-five-foot yacht cleverly named *Bull*. He impressed them with a calm demeanor and serious knowledge. While it's true that he was mostly taking clients' money and sticking it in his wallet, the investments he *claimed* to engineer were actually quite sophisticated; they had to do with buying stock in tandem with options to buy and sell that same stock on the futures market. He threw in technical words like "put" and "call" and left everyone thinking he was either crazy or a genius. Since he was apparently making money, "genius" seemed the more likely reality. People also found him trustworthy. He sat on the boards of several Wall Street professional organizations and was known on the charity circuit as a generous benefactor. Health research was a favorite, especially after Andrew's cancer was diagnosed.

Exactly how much money Madoff channeled to Andrew and other family members isn't clear. By late 2008, however, Andrew knew that his father's investment company had hit a rough patch. The stock market was crashing, investors wanted their money back, and Madoff was having trouble rounding up the cash, which explains why Andrew was surprised when his father called him in and said he'd decided to distribute about \$200 million in bonuses to family members and employees.

It didn't make sense. How could there be a cash-flow crisis but still enough cash to pay out giant bonuses? The blunt question — according to the Madoff family — broke Madoff down. He spilled the truth: there was little money left; it was all a giant lie.

The next day, Andrew reported the situation to the authorities.

Madoff sits in jail now. He'll be there for the rest of his life. He claims his scheme was his project alone and his children had no knowledge or participation in it, despite the fact that they were high executives in his fraudulent company. Stubbornly, he has refused to cooperate with prosecutors interested in determining the extent to which the children may have been involved. His estate has been seized. His wife, though, was left with a small sum — \$2.5 million — to meet her day-to-day living expenses. Bilked investors got nearly nothing.

One of those investors, according to ABC News, was Sheryl Weinstein. She and her family are now looking for a place to live because after investing everything with Madoff and losing it, they were unable to make their house payments. At Madoff's sentencing hearing, and with her husband seated beside her, she spoke passionately about their plight and called Madoff a "beast." The hearing concluded with the judge calling Madoff "evil."

Weinstein was well remembered by Madoff's longtime secretary, Eleanor Squillari. Squillari reported that Weinstein would often call Madoff and that "he would roll his eyes and then they'd go meet at a hotel." Their affair lasted twenty years, right up until the finance empire collapsed.

Ross, B, Schecter, A and McCarthy, K (2011) 'Bernie Madoff's other secret: His hadassah CFO mistress,; *ABCNews.com* 16th April <http://abcnews.go.com/Blotter/Madoff/story?id=8319695&page=1> (Accessed 11 May 2011).

What do I owe myself? Historically accumulated duties to the self

Over centuries of thought and investigation by philosophers, clergy, politicians, entrepreneurs, parents, students — by just about everyone who cares about how we live together in a shared world — a limited number of duties have recurred persistently. Called perennial duties, these are basic obligations we have as human beings; they are the fundamental rules telling us how we should act. If we embrace them, we can be confident that in difficult situations we will make morally respectable decisions.

Broadly, this group of perennial duties falls into two sorts:

1. Duties to ourselves.
2. Duties to others.

Duties to the self *begin with our responsibility to develop our abilities and talents.* The abilities we find within us, the idea is, are not just gifts; it is not only a stroke of luck that some of us are born with a knack for math, or an ear for music, or the ability to shepherd conflicts between people into agreements. All these skills are also responsibilities. When we receive them, *they come with the duty to develop them*, to not let them go to waste in front of the TV or on a pointless job.

Most of us have a feeling for this. It is one thing if a vaguely clumsy girl in a ballet class decides to not sign up the next semester and instead use the time trying to boost her GPA, but if someone who is really good — who is strong, and elegant, and a natural — decides to just walk away, of course the coach and friends are going to encourage her to think about it again. She has something that so few have, it's a shame to waste it; it is a kind of betrayal of her own uniqueness. This is the spot where the ethics come in: the idea is that she really *should* continue her development; it is a responsibility she has to herself because she really can develop.

What about Andrew Madoff, the cancer sufferer? He not only donated money to cancer research charities but also dedicated his time, serving as chairman of the Lymphoma Research Foundation (until his dad was arrested). This dedication *does* seem like a duty because of his unique situation: as a sufferer, he perfectly understood the misery caused by the disease, and as a wealthy person, he could muster a serious force against the suffering. When he did, he fulfilled the duty to exploit his particular abilities.

The other significant duty to oneself is nearly a corollary of the first: the duty to do ourselves no harm. At root, this means we have a responsibility to maintain ourselves healthily in the world. It does not do any good to dedicate hours training the body to dance beautifully if the *rest* of the hours are dedicated to alcoholism and Xanax. Similarly, Andrew should not only fight cancer publicly by advocating for medical research but also fight cancer privately by adhering to his treatment regime.

At the extreme, this duty also prohibits suicide, a possibility that no doubt crosses Bernie Madoff's mind from time to time as he contemplates spending the rest of his life in a jail cell.

What do I owe others? Historically accumulated duties to others

The duties we have to ourselves are the most immediate, but the most commonly referenced duties are those we have to others.

1. Avoid wronging others

This is the guiding duty to those around us. It is difficult, however, to know exactly what it means to wrong another in every particular case. It does seem clear that Madoff wronged his clients when he pocketed their money. The case of his wife is blurrier, though. She was allowed to keep more than \$2 million after her husband's sentencing. She claims she has a right to it because she never knew what her husband was doing, and anyway, at least that much money

came to her from other perfectly legal investment initiatives her husband undertook. So she can make a case that the money is hers to keep and she is not wronging anyone by holding onto it. Still, it is hard not to wonder about investors here, especially ones like Sheryl Weinstein, who lost everything, including their homes.

2. **Honesty**

This is the duty to tell the truth and not leave anything important out. On this front, obviously, Madoff wronged his investors by misleading them about what was happening with their money.

3. **Respect others**

This is the duty to treat others as equals in human terms. This does not mean treating everyone the same way. When a four-year-old asks where babies come from, the stork is a fine answer. When adult investors asked Madoff where the profits came from, what they got was more or less a fairy tale. Now, the first case is an example of respect: it demonstrates an understanding of another's capacity to comprehend the world and an attempt to provide an explanation matching that ability. The second is a lie; but more than that, it is a sting of disrespect. When Madoff invented stories about where the money came from, he disdained his investors as beneath him, treating them as unworthy of the truth.

4. **Beneficence**

This is the duty to promote the welfare of others; it is the Good Samaritan side of ethical duties. With respect to his own family members, Madoff certainly fulfilled this obligation: every one of them received constant and lavish amounts of cash. There's also beneficence in Andrew's work for charitable causes, even if there is a self-serving element, too. By contrast, Madoff displayed little beneficence for his clients.

5. **Gratitude**

This is *the duty to thank and remember those who help us.* One of the curious parts of Madoff's last chapter is that in the end, at the sentencing hearing, a parade of witnesses stood up to berate him. But even though Madoff had donated millions of dollars to charities over the years, not a single person or representative of a charitable organisation stood up to say something on his behalf. That is ingratitude, no doubt.

But there is more here than ingratitude; there is also an important point about all ethics guided by basic duties: *the duties do not exist alone.* They are all part of a single fabric, and sometimes they pull against each other. In this case, the

duty Madoff's beneficiaries probably felt to a man who would given them so much was overwhelmed by the demand of another duty: the duty to respect others, specifically those who lost everything to Madoff. It is difficult to imagine a way to treat people more disdainfully than to thank the criminal who stole their money for being so generous. Those who received charitable contributions from Madoff were tugged in one direction by gratitude to him and in another by respect for his many victims. All the receivers opted, finally, to respect the victims.

6. **Fidelity** is the duty to keep our promises and hold up our end of agreements. The Madoff case is littered with abuses on this front. On the professional side, there is the financier who did not invest his clients' money as he had promised; on the personal side, there is Madoff and Weinstein staining their wedding vows. From one end to the other in terms of fidelity, this is an ugly case.

7. **Reparation** is the duty to compensate others when we harm them. Madoff's wife, Ruth, obviously did not feel much of this. She walked away with \$2.5 million.

The judge overseeing the case, on the other hand, filled in some of what Ruth lacked. To pay back bilked investors, the court seized her jewelry, her art, and her mink and sable coats. Those things, along with the couple's three multimillion-dollar homes, the limousines, and the yacht, were all sold at public auction.

The concept of fairness

The final duty to be considered — fairness — requires more development than those already listed because of its complexity.

According to Aristotle, **fairness** is *treating equals equally and unequals unequally*. The treat equals equally part means, for a professional investor like Madoff, that all his clients get the same deal: those who invest equal amounts of money at about the same time should get an equal return. So even though Madoff was sleeping with one of his investors, this should not allow him to treat her account distinctly from the ones belonging to the rest. Impartiality must govern the operation.

The other side of fairness is the requirement to *treat unequals unequally*. Where there is a meaningful difference between investors — which means a difference pertaining to the investment and not something extraneous like a romantic involvement — there should correspond a proportional difference in what investors receive. Under this clause, Madoff could find justification for allowing two distinct rates of return for his clients. Those that put up money at the beginning when everything seemed riskier could justifiably receive a higher payout than the one yielded to more recent participants. Similarly, in any

company, if layoffs are necessary, it might make sense to say that those who have been working in the organisation longest should be the last ones to lose their jobs. In either case, the important point is that *fairness does not mean everyone gets the same treatment; it means that rules for treating people must be applied equally*. If a corporate executive decides on layoffs according to a last-in-first-out process, that is fine, but it would be unfair to make exceptions.

One of the unique aspects of the idea of fairness as a duty is its hybrid status between duties to the self and duties to others. While it would seem strange to say that we have a duty of gratitude or fidelity to ourselves, it clearly makes sense to assert that we should be fair to ourselves. Impartiality — the rule of no exceptions — means no exceptions. So a stock investor who puts his own money into a general fund he runs should receive the same return as everyone else. A poor investment that loses 10% should cost him no more than 10% (he has to be fair to himself), and one that gains 10% should not net him any more than what the others receive (he has to be fair to others).

Modern fairness: Rawls

The recent American philosopher John Rawls proposes a **veil of ignorance** as *a way of testing for fairness, especially with respect to the distribution of wealth in general terms*. For example, in society as Madoff knew it, vast inequalities of wealth were not only allowed, they were honoured: being richer than anyone else was something to be proud of, and Madoff lived that reality full tilt. Now, if you asked Madoff whether we should allow some members of society to be much wealthier than others, he might say that is fair: everyone is allowed to get rich in America, and that is just what he did. However, the guy coming into Madoff's office at 3 a.m. to mop up and empty the trash might see things differently. He may claim to work just as hard as Madoff, but without getting fancy cars or Palm Springs mansions. People making the big bucks, the suggestion could follow, should get hit with bigger taxes and the money used to provide educational programmes allowing guys from the cleaning crew to get a better chance at climbing the income ladder. Now, given these two perspectives, is there a way to decide what is really fair when it comes to wealth and taxes?

Rawls proposes that *we try to re-imagine society without knowing what our place in it would be*. In the case of Madoff, he may like things as they are, but would he stick with the idea that everything is fair if he were told that a rearrangement was coming and he was going to get stuck back into the business world at random? He might hesitate there, seeing that he could get dealt a bad hand and, yes, end up being the guy who cleans offices. And that guy who cleans offices might figure that if he got a break, then he would be the rich one, and so he is no longer so sure about raising taxes. **The veil of ignorance** is *the idea that when you set up the rules, you do not get to know beforehand where you will fall inside them, which is going to force you to construct things in a way that is really balanced and fair*.

As a note here, nearly all children know the veil of ignorance perfectly. When two friends together buy a candy bar to split, they will frequently have one person break it, and the other choose a half. If you are the breaker, you are under the veil

of ignorance since you do not know which half you are going to get. The result is you break it fairly, as close to the middle as you can.

Balancing the duties

Duties include those to:

1. Develop abilities and talents.
2. Do ourselves no harm.
3. Avoid wronging others.
4. Honesty.
5. Respect others.
6. Beneficence.
7. Gratitude.
8. Fidelity.
9. Reparation.
10. Fairness.

Taken on their own, each of these plugs into normal experience without significant problems. Real troubles come, though, when more than one duty seems applicable and they are pulling in different directions.

Take Andrew Madoff, for example. Lying in bed at night and taking his ethical duties seriously, what should he do in the wake of the revelation that his family business was in essence a giant theft? On one side, there is an argument that he should just keep on keeping on by maintaining his life as a New York financier. The route to *justifying* that decision starts with a *duty to himself*:

1. Develop abilities and talents

As an expert in finance, someone with both knowledge of and experience in the field, Andrew should continue cultivating and perfecting his talents, at least those he had acquired on the legitimate side of the family's dealings.

Beyond the duty to himself, Andrew can further support his decision to keep his current life going by referencing a *duty to others*.

2. Beneficence

This may demand that Andrew continue along the lines he had already established because they enabled his involvement with cancer research. He has money to donate to the cause and his very personal experience with the disease allows rare insight into what can be done to help sufferers. To the extent that is true, beneficence supports Andrew's decision to go on living as he had been.

On the other side, what is the duty-based argument in favour of Andrew taking a different path by breaking away from his old lifestyle and dedicating all his energy and time to doing what he can for the jilted investors the family business left behind?

3. Respect

The duty to treat others as equals demands that Andrew take seriously the abilities and lives of all those who lost everything. Why should they be reduced to powerlessness and poverty while he continues maximising his potential as a stock buyer and non-profit leader? Respecting others and their losses may mean leaving his profession and helping them get back on their feet.

4. Reparation

This duty advances the proposal for Andrew to liquidate his assets and divide the money as fairly as possible among the ruined investors. It may be that Andrew did not orchestrate the family Ponzi scheme, but wittingly or not, he participated and that opens the way to the duty to repayment.

So which path should Andrew follow? There is no certain answer. What duties do allow Andrew — or anyone considering his situation — to achieve a solid footing for making a reasonable and defensible decision. From there, the ethical task is to weigh the various duties and choose which ones pull harder and make the stronger demand.

Where do duties come from?

The question about the origin of duties belongs to metaethics, to purified discussions about the theory of ethics as opposed to its application, so it falls outside this book's focus. Still, two commonly cited sources of duties can be quickly noted.

One standard explanation is that duties are written into the nature of the universe; they are part of the way things are. In a sense, they are a moral complement to the laws of physics. We know that scientists form mathematical formulas to

explain how far arrows will travel when shot at a certain speed; these formulas describe the way the natural world is. So too in the realm of ethics: duties are the rules describing how the world is in moral terms. On this account, ethics is not so different from science; it is just that scientists explore physical reality and ethicists explore moral reality. In both cases, however, the reality is already there; we are just trying to understand it.

Another possible source for the duties is humanity in the sense that part of what it means to be human is to have this particular sense of right and wrong. Under this logic, a computer-guided robot may beat humans in chess, but no machine will ever understand what a child does when mom asks, “Did you break the vase? Tell me the truth.” Maybe this moral spark children are taken to feel is written into their genetic code, or maybe it is something ineffable, like a soul. Whichever, the reason it comes naturally is because it is part of our nature.

What are the advantages and drawbacks of an ethics based on duties?

One of the principal **advantages** of working with an ethics of duties is simplicity: *duties are fairly easy to understand and work with.* We all use them every day. For many of us these duties are the first thing coming to mind when we hear the word *ethics*. *Straightforward rules about honesty, gratitude, and keeping up our ends of agreements* — these are the components of a common education in ethics, and most of us are well experienced in their use.

The **problem**, though, comes when the duties pull against each other: when one says yes and the other says no. Unfortunately, *there is no hard-and-fast rule for deciding which duties should take precedence over the others.*



Activity 1.4

1. Bernie Madoff was a very good — though obviously not a perfect — fraudster. He got away with a lot for a long time. How could the duty to develop one’s own abilities be mustered to support his decision to become a criminal?
2. In the Madoff case, what duties could be mustered to refute the conclusion that he did the right thing by engaging in fraud?

Immanuel Kant: The duties of the categorical imperative

Kant

German philosopher Immanuel Kant (1724–1804) accepted the basic proposition that a theory of duties — a set of rules telling us what we are obligated to do in any particular situation — was the right approach to ethical problems. What he set out to add, though, was a stricter mechanism for the use of duties in our everyday experience. He wanted a way to get all these duties we have been talking about to work together, to produce a unified recommendation, instead of leaving us confused between loyalty to one principle and another. At least on some basic issues, Kant set out to produce ethical *certainty*.

Lying is about as primary as issues get in ethics, and the Madoff case is shot through with it:

- Bernie Madoff always claimed that the Ponzi scheme was not the original idea. He sought money from investors planning to score big with complicated financial maneuvers. He took a few losses early on, though, and faced the possibility of everyone just taking their cash and going home. That's when he started channeling money from new investors to older ones, claiming the funds were the fruit of his excellent stock dealing. He always intended, Madoff says, to get the money back, score some huge successes, and they would let him get on the straight and narrow again. It never happened. But that does not change the fact that Madoff *thought* it would. He was lying *temporarily*, and for the good of everyone in the long run.
- Sheryl Weinstein had a twenty-year affair with Madoff. She also invested her family's life savings with him. When the Ponzi scheme came undone, she lost everything. To get some money back, she considered writing a tell-all, and that led to a heart-wrenching decision between money and her personal life. Her twenty-year dalliance was not widely known, and things could have remained that way: her husband and son could have gone on without the whole world knowing that the husband was a cuckold and the son the product of a poisoned family. But they needed money because they had lost everything, including their home, in Madoff's scam. So does she keep up the false story or does she turn the truth into a profit opportunity?

What does Kant say about all this? The answer is his categorical imperative. *An imperative is something you need to do. A hypothetical imperative is something you need to do, but only in certain circumstances*; for example, I have to eat, but only in those circumstances where I am hungry. A **categorical imperative**, by contrast, *is something you need to do all the time: there are ethical rules that do not depend on the circumstances, and it is the job of the categorical imperative to tell us what they are*. Here, we will consider two distinct expressions of Kant's categorical imperative, two ways that guidance is provided.

First version of the categorical imperative

The **first version** or expression of the categorical imperative: *Act in a way that the rule for your action could be universalised.* When you are thinking about doing something, this means you should imagine that *everyone did it all the time.* Now, can this make sense? Can it happen? Is there a world you can imagine where everyone does this thing that you are considering at every opportunity? Take the case of Madoff asking himself, “Should I lie to keep investor money flowing in?” What we need to do is imagine this act as universalised: everyone lies all the time. Just imagine that. You ask someone whether it is sunny outside. It is sunny, but they say, “No, it’s raining.” The next day you ask someone else. Again, it is sunny, but they say, “No, it’s snowing.” This goes on day after day. Pretty soon, would you not just give up listening to what people say? Here is the larger point: if everyone lies all the time, pretty soon people are going to stop listening to anyone. And if no one is listening, is it possible to lie to them?

What Kant’s categorical imperative shows is that lying *cannot* be universalised. The act of lying cannot survive in a world where everyone is just making stuff up all the time. Since no one will be taking anyone else seriously, you may try to sell a false story but no one will be buying.

Something similar happens in comic books. No one accuses authors and illustrators of lying when Batman kicks some bad guys into the next universe and then strips off his mask and his hair is perfect. That is not a lie; it is fiction. And fictional stories *cannot* lie because no one expects they will tell the truth. No one asks whether it is real or fake, only whether it is entertaining. The same would go in the real world if everyone lied all the time. Reality would be like a comic: it might be fun, or maybe not, but accusing someone of lying would definitely be absurd.

Bringing this back to Madoff, as Kant sees it he has to make a basic decision: should I lie to investors to keep my operation afloat? The answer is no. According to the categorical imperative, it *must* be no, not because lying is directly immoral, but because lying cannot be universalised and therefore it is immoral.

The same goes for Sheryl Weinstein as she wonders whether she should keep the lid on her family-wrecking affair. The answer is no because the answer is *always* no when the question is whether I should lie. You might want to respond by insisting, “She’s already done the deed, and Bernie’s in jail so it’s not going to happen again. The best thing at this point would be for her to just keep her mouth shut and hold her family together as best she can.” That is a fair argument. But for Kant it is also a loser because the categorical imperative gives the last word. There is no appeal. There is no lying, no matter what.

One more point about the universalisation of acts: even if you insist that a world could exist where *everyone* lied all the time, would you really want to live there? Most of us do not mind lying so much as long as *we are* the ones getting away with it. But if everyone is doing it, that is different. Most of us might agree that if we had a choice between living in a place where everyone told the truth and one where everyone lied, we would go for the honest reality. It just makes sense: lying

will help you only if you are the sole liar, but if everyone is busy taking advantage of everyone else, then there is nothing in it for you, and you might just as well join everyone in telling the truth.

Conclusion

The first expression of the categorical imperative — act in such a way that the rule for your action could be universalised — is a consistency principle. Like the golden rule (treat others as you would like to be treated), it forces you to ask how things would work if everyone else did what you are considering doing.

Objections to the first version of the categorical imperative

One of the objections to this ethical guidance is that *a reality without lying can be awfully uncomfortable*. If your boss shows up for work on a Friday wearing one of those designer dresses that looks great on a supermodel and ridiculous everywhere else, and she asks what you think, what are you going to say? “Hideous”? *Telling the truth no matter what, whether we are at work or anywhere else, is one of those things that sounds good in the abstract but is almost impossible to actually live by.*

Then the problem gets worse. A deranged addict storms into your office announcing that he has just received a message from the heavens. While chewing manically on dirty fingernails, he relates that he is supposed to attack someone named Jones — anyone named Jones. “*What,*” he suddenly demands, “is *your* name?” Unfortunately, you happen to be named Sam Jones. Now what?

Second version of the categorical imperative

The **second expression** of the categorical imperative is: *Treat people as an end, and never as a means to an end.* To treat people as ends, not means is to never use anyone to get something else. People cannot be tools or instruments, they cannot be things you employ to get to what you really want. A simple example of using another as a means would be striking up a friendship with Chris because you really want to meet his wife who happens to be a manager at the advertising company you desperately want to work for.

It would be hard to imagine a clearer case of this principle being broken than that of Madoff’s Ponzi scheme. He used the money from each new investor to pay off the last one. That means every investor was nothing but a means to an end: everyone was nothing more than a way to keep the old investors happy and attract new ones. Madoff’s case of direct theft is clear cut, but others are not quite so easy. If Weinstein goes ahead and writes her tell-all about life in bed with Madoff, is she using him as a means to her end (which is making money)? Is she using book buyers? What about her husband and the suffering he would endure? It can be difficult to be sure in every case exactly what it means to “use” another person.

Another example comes from Madoff's son, Andrew, who donated time and money to the cause of treating cancer. On one hand, this seems like a generous and beneficial treatment of others. It looks like he is valuing them as worthwhile and good people who deserve to be saved from a disease. On the other hand, though, when you keep in mind that Andrew too had cancer, you wonder whether he is just using other peoples' suffering to promote research so that he can be saved.

Conclusion

The first of the categorical imperative's expressions was a consistency principle (treat others the way you want to be treated). This is a dignity principle: treat others with respect and as holding value in themselves. You will act ethically, according to Kant, as long as you never accept the temptation to treat others as a way to get something else.

Objections to the second version of the categorical imperative

The principal objection to this aspect of Kant's theory is that, like the previous, it *sounds good in the abstract, but when you think about how it would actually work, things become difficult*. Almost *all* businesses require treating people as means and not as ends. In the grocery store, the cashier is not waiting there to receive your respectful attention. She is there to run your items through the scanner and that's it. The same goes for the guy in the produce section setting up the banana display. Really, just paying someone to do a job — no matter what the job might be — is treating them as a means to an end, as little more than a way to get the work done. If that is right, then you are not going too far by wondering whether the entire modern world of jobs and money would unravel if we all suddenly became Kantians. Paying a janitor to clean up after hours, a paralegal to proofread a lawyer's briefs, a day-care worker to keep peace among children at recess, all these treatments of others seem to fail Kant's test.

Defenders of Kant understand all this perfectly and can respond. One argument is that providing someone with a job is not treating them as a means to your ends; instead, by allowing them the opportunity to earn a living, you are actually supporting their projects and happiness. Seen this way, hiring people is *not* belittling them, it is enabling. And far from being immoral in the Kantian sense, it is ethically commendable.



Activity 1.5

1. Imagine Madoff lied to attain his clients' money as he did, but instead of living the high life, he donated everything to charity. For Kant, does this remove the ethical stain from his name? Why not?

Rights

Rights

An ethics based on rights is similar to an ethics based on duties. In both cases specific principles provide ethical guidance for your acts, and those principles are to be obeyed regardless of the consequences further down the line. Unlike duties, however, **rights-based ethics** *concentrate their force in delineating your possibilities*. The question is not so much *What are you morally required to do*; it is more about defining exactly where and when you are free to do whatever you want and then deciding where you need to stop and make room for other people to be free too. Stated slightly differently, *duties tend to be ethics as what you cannot do, and rights tend to be about what you can do*.

My property, my religion, my non-profit organisation, my health care, my grass

Charles Edward “Eddy” Lepp is in jail now, in a prison not too far away from the site of the business that got him in trouble: Eddy’s Medicinal Gardens and Ministry. What was Eddy Lepp the gardener and minister up to on his twenty-acre property near a lake in California, about a hundred miles north from San Francisco? Here are the highlights:

- **Ministry.** Lepp claims — and there does not seem to be anyone who disputes him — that he is an authentic Rastafarian reverend.
- **Rastafarianism.** Developed over the last century in Africa and the Caribbean, the religion works within the basic structure of Christianity but contains important innovations. Haile Selassie I was the emperor of Ethiopia from 1930 to 1974 and, according to the faith, was also the reincarnation of Jesus Christ. Further, marijuana—called *ganja* by believers — accompanies religious meetings and ceremonies; it brings adherents closer to God.
- **Lepp’s Medicinal Gardens.** In fact, this was not a garden so much as a collective farm. Lepp oversaw the work of volunteers — their numbers totaling about two hundred — and did some harvesting and planting himself. Many of the farm’s marijuana leaves were smoked by the 2,500 members of his zonked-out church as part of Rastafarian celebrations and meetings, and the rest was, according to Lepp, distributed to individuals with serious health problems.
- **Marijuana and health care.** Studies indicate that in some patients marijuana may alleviate nausea and vomiting, especially as connected with chemotherapy. There’s also a list of further symptoms and maladies the drug could relieve, according to some evidence. It should be noted here that many suspect the persons conducting these studies (not to mention the patients receiving the testing) are favorably predisposed toward marijuana in the first place, and the prejudice may contaminate conclusions. What is certain is that from a strictly medical perspective, the question about marijuana’s utility remains controversial. Among those who are convinced, however, smoking is a good remedy. That is why in California patients have been granted a legal right to possess and use marijuana medicinally, as long as they have got

a doctor's approval. Unfortunately for Lepp, California law cannot bar federal prosecutions, and it was the US Drug Enforcement Administration from all the way out in Washington, DC, that eventually came after him.

Larson, E (2009) 'Lepp sentenced to 10 years in federal prison for marijuana case,' *Lake County News*, 18th May <http://lakeconews.com/content/view/8703/764/> (Accessed 11 May 2011);

Egelko, B (2009) 'Medical pot grower Eddy Lepp gets 10 years,' *Cannabis Culture Magazine*, 18th May <http://www.cannabisculture.com/v2/content/medical-pot-grower-eddy-lepp-gets-10-years> (Accessed 11 May 2011).

About retirement age now, Eddy Lepp is one of those guys who never really left Woodstock. Before being incarcerated, he slumped around in tie-dyes and jeans. He liked wearing a hat emblazoned with the marijuana leaf. Out on his semirural farm, he passed the days smoking joints and listening to Bob Marley music.

Everyone seems to like the guy. A longtime activist for the legalisation of marijuana, he is even something of a folk hero in Northern California. At his sentencing, the crowd (chanting "free Eddy!") spilled out into the courthouse hallways. The judge did not seem to mind the spectacle, and she went out of her way to say she did not want to hit him with ten years of jail time, but federal guidelines gave her no choice. Now there is talk of a pardon.

Like Bernie Madoff, Lepp was touched by cancer. Madoff's son Andrew was stricken and so was Lepp's wife. She died. Also, like Madoff, Lepp was a businessman. Madoff made millions and lived in luxury while robbing investors; Lepp made enough to scrape by from his ministry and farming enterprises.

What is a right?

One definition of a **right** in ethics is *a justified claim against others*. I have the right to launch a gardening business or a church enterprise or both on my property, and you are not allowed to simply storm in and ruin things. You do have the right, however, to produce *your own* garden company and church on your property. On my side, I have the right to free speech, to say whatever I want no matter how outrageous and you cannot stop me. You can, however, say whatever you want, too; you can respond to my words with whatever comes into your head or just ignore me completely. A right, in sum, is something you may do if you wish, and others are morally obligated to permit your action.

Duties tend to be protective in nature; they are about assuring that people are not mistreated. Rights are the flip side; they are *liberating* in nature, they are about assuring that you are as free as possible.

Because rights theory maximises choices in the name of ethics, it is not surprising that Lepp built his court defense on that ground. Lepp fought the law by maintaining that his medical gardens business and church operations involved *his* land and *his* religion. It was not that he had a right to grow pot or pray to a specific God; that

had nothing to do with it. The point is he had a right to do *whatever* he wanted on that land, and believe in *whatever* he wanted in his mind. That is what rights are about. As opposed to duties that fix on specific acts, rights ethics declares that there are places (like my land) where the acts do not matter. As long as no one else's rights are being infringed on, I am free.

Finally, *duties tend to be community oriented*: they are about how we get along with others. *Rights tend to center on the individual and what he or she can do regardless of whether anyone else is around or not*. That explains why a duty-based ethics coheres more easily with a scene like the one Madoff provoked, a situation that involves winners and losers, criminals and victims. On the other side, an ethics based on rights is more convenient for Lepp and his gardening and religious enterprises. Though he ended up in jail, there were no obvious victims of his crimes; at least no one complained that they'd been mistreated or victimised as individuals.

What are the characteristics of rights?

English philosopher John Locke (1632–1704) maintained that rights are:

1. **Universal**

The fundamental rights do not transform as you move from place to place or change with the years.

2. **Equal**

They are the same for all, men, young and women and old.

3. **Inalienable**

They cannot be taken, they cannot be sold, and they cannot be given away. We must have them. This leads to a curious paradox at the heart of rights theory. Freedom is a bedrock right, but we are not free to sell ourselves into slavery. We cannot because freedom is the way we are; since freedom is part of my essence, it cannot go away without me disappearing too.

What rights do I have?

The right to life is just what it sounds like: Lepp, you, and I should be able to go through our days without worrying about someone terminating our existence. This right is so deeply embedded in our culture that it almost seems unnecessary to state, but we don't need to stretch too far away from our time and place to find scenes of the right's trampling. Between the world wars, Ukraine struggled for independence from Joseph Stalin's neighboring Russia. Stalin sealed the borders

and sent troops to destroy all food in the country. Millions died from starvation. Less dramatically but more contemporaneously, the right to life has been cited as an argument against capital punishment.

The right to freedom guarantees individuals that they may do as they please, assuming their actions don't encroach on the freedom of others. In a business environment, this assures entrepreneurs like Lepp and Madoff that they may mount whatever business operation they choose. Lepp's garden and ministry were surely unorthodox, but that can't be a reason for its prohibition.

Similarly, *within* a company, the right to freedom protects individuals against abuse. No boss can demand more from an employee than what that employee has freely agreed — frequently through a signed contract — to provide.

On the other side, however, there are questions about how deeply this basic right extends through day-to-day working life. For example, the freewheeling Lepp probably was not too concerned about the clothes his volunteer workers chose to wear out in the garden, but what about clothes in Madoff's investment house? He was serving wealthy, urban clients in suits and ties. What would their reaction be to a junior investment advisor just out of college who shows up for a meeting in a tie-dye and jeans? Some clients, it is safe to say, would head for the exit. Now, what recourse does boss Madoff have when the casual employee says, "Look, it's a free country; I can wear whatever I want"? Within a rights theory of ethics, it must be conceded that the employee is correct. *It is also true*, however, that Madoff has rights too — specifically, the freedom to fire the guy. What can be taken from this is that, as a general rule, the *enabling side* of a rights ethics is that you can do whatever you want, but the *limiting and controlling side* is that the same goes for everyone else.

From the right to freedom, other rights seem to derive naturally. **The right to free speech** is tremendously important in the commercial world. Lepp's messages to his Rasta flock may have provoked skepticism in some listeners, but no one doubts that he had a right to voice his ideas. The same goes for Madoff's exuberant claims concerning his investing strategy. Crucially, the same also goes for those on the other side of Madoff's claims; the same freedom Madoff enjoyed also allowed whistle-blowers to answer back that it's *impossible* to legitimately realize such constant and high profits. In fact, in the case of Madoff's investment company, whistle-blowers did say that, repeatedly. No one listened, though. The right of free speech doesn't guarantee a hearing.

The right to religious expression also follows from basic freedom. It guaranteed Lepp the space he needed to pioneer his particular brand of gardening Rastafarianism in Northern California. His is, obviously, a weird case, but the right works in more traditional workplaces, too. USA Today reported a case where Muslim workers were fired from their jobs in several meatpacking plants in the Midwest because they left the production line in the middle of the day without authorisation to go outside and pray. The workers' response? They filed a lawsuit claiming their right to religious expression had been violated.

No doubt it had been.

Bazar, E (2008) 'Prayer leads to work disputes,' USA Today, 16th October 16 http://www.usatoday.com/news/nation/2008-10-15-Muslim_N.htm (Accessed 11 May 2011).

But the company's response is also weighty. According to the article, "The problem with the Muslim prayer request is that it's not one day or annual, it's every day and multiple times. Further, those times shift over the course of the year based on the sun's position."

The result, according to the company, is that scheduling becomes very difficult, and those who are not Muslim find it nearly impossible to keep working when they're getting abandoned so frequently during the day. Here we are confronted with a very basic conflict of rights. While no one doubts that freedom exists to practice a religion, is it not also true that the company — or the company owners if we want to cast this in personal terms — have a right to set up a business in whatever manner they choose, with breaks scheduled for certain times and worker responsibilities strictly defined? In the end, the question about Muslim workers leaving the work floor to pray is not about one kind of religion or another; it is not Christians against Muslims or something similar. The question is about which right takes precedence: the owners' right to set up and run a company as they wish or the employees' right to express their beliefs how and when they choose.

From an ethical perspective — which does not necessarily correlate with a legal one — the resolution to this dilemma and any clash about conflicting rights runs through the question of whether there is a way to protect the basic rights of *both* groups. It runs that way because rights are fundamentally about that, about maximising freedom. In this case, it seems that firing the workers *does* achieve that goal. The owners' initiative inside their company is protected, and the workers are now able to pray when they desire.

To be sure, other ethical approaches will yield different outcomes, but in the midst of rights theory where individual liberty is the guiding rule and the maximisation of freedom is the overriding goal, it is difficult for other concerns to get traction. So it may be that *the community as a whole* is better served by looking for a solution that allows Muslims to maintain their prayer schedule *while also* allowing the plant to continue functioning in a normal way. Even if that is true, however, it is not going to affect a rights-theory resolution very much because this kind of ethics privileges what *you* and *I* can do over what we can do together. It is an ethics of individualism.

The right to pursue happiness sits beside the right to life and the right to freedom at the foundation of rights ethics. The pursuit gives final direction and meaning to the broad theory. Here is how: it does not do much good to be alive if you are not free, so freedom orients the right to life. It also does not do much good to be free if you cannot pursue happiness, so the right to pursue happiness orients freedom. That is the organising reasoning of ethical rights; it is how the theory holds together. This reasoning leaves behind, however, the difficult question as to exactly where the pursuit of happiness leads.

In an economic context, one way of concretising the pursuit of happiness is quite important: it is our right to possessions and the fruits of our work. What is ours, along with what we make or earn, we have a right to keep and use as we wish. Among rights theorists, this particular right attracts a staunch group of advocates. Called libertarians, they understand liberty as especially reflected in the right to dominion over what is ours.

Libertarianism in the economic world

Lepp was not a big-time businessman. His medicinal garden enterprise produced enough income to get him through the day and little more. When he went to court, he needed a public assistance attorney (not that it would have made any difference). But the issues he brings forward reverberate through the business world. Here are a few hypothetical scenarios where libertarian ethics comes into play:

1. A massive brewery is constructed upstream from farmland and soaks up most of the water to make beer, leaving the downstream farms with almost nothing for irrigation. It is the brewery's land, so can't the owners do what they want with the water running through it?

A strong libertarian argument offers a reason to say yes. Even though it is true that others will be severely harmed by the act, an ethics that *begins* with the freedom to have what is mine does not buckle before the demands of others. Now, compare this outcome with the guidance offered by Kant's categorical imperative, the idea that any act must be universalised. Within this framework the opposite conclusion is reached because if everyone just dammed up the water channeling through his or her land, then the brewer would not even have the choice: no water would be flowing across the land in the first place. So a *duty-oriented ethics leads toward a solution that is more favorable for the larger community, where a rights-based perspective leaves more room for individuality but at the cost of the interests of others.*

2. Bernie Madoff did not start off rich. His father was a plumber in Queens. Even before launching his Ponzi scheme, he became wealthy by working hard, being smart, and investing wisely. He grew an investment house from scratch to being among the most prominent in New York. His annual income hit the millions even without the Ponzi stuff. Possibly, there was an administrative assistant of some kind there with him from the beginning. She was hired at, say, \$32,000 annually. Years later, Madoff is rich, and she is at \$36,000. She still arrives at work in her beater car while Madoff gets the limousine treatment. Is this fair?

A strong libertarian position gives Madoff a reason to say yes. The wealth *did* accumulate from his efforts, not hers. If Madoff had not been there the money would not have come in, but, if she would quit on the first day, he would have hired someone else and the end result probably would not have been much different. The money, in other words, grew because

of Madoff's efforts, therefore it is his, and therefore there is no ethical obligation to spread it around.

On the other hand, a duty-based orientation would generate concerns about gratitude and respect. These perennial duties leave room for wealth redistribution. The argument is that Madoff owes the assistant a higher wage not because of her work performance but as a show of gratitude for her contribution over the years. Similarly, the duty of respect for others does not demand that everyone be treated equally. It does not mean everyone should get the same wage, but it does demand that people be respected as equals. This implies taking into account that the assistant's efforts were prolonged and significant, just like Madoff's, and therefore she should receive a salary more commensurate with his.

Negative and positive rights

The ethics of rights can be categorised as negative rights and positive rights. **Negative rights** are fundamental. *They require others to not interfere with me and whatever I am doing.* The right to life is the requirement that others not harm me, the right to freedom is the requirement that others not interfere with me, the right to speech requires that others not silence me, the right to my possessions and the fruits of my labours require that others let me keep and use what is mine.

Positive rights, by contrast, *are closer to traditional duties. They are obligations others have to help protect and preserve my basic, negative rights.* For example, the right to life does not only require (negatively) that people not harm me, but it also requires (positively) that they come to my aid in life-threatening situations. If I am in a car wreck, my right to life requires bystanders to call an ambulance. So if an individual with a rights-based philosophy and an individual with a duty-based philosophy both arrive on a crash scene, they will do the same thing — just for different reasons. The rights person calls for help to protect the victim's right to life; the duties person calls to fulfill the duty to beneficence, the duty to look out for the welfare of others.

Positive rights can be drawn out to great lengths. For example, the argument is sometimes made that my basic right to freedom is worthless if I do not have my health and basic abilities to operate in the world. This may lead a rights theorist to claim that society owes its members' health care, education, housing, and even money in the case of unemployment. Typically, these positive rights are called welfare rights. Welfare, in this context, does not mean government handouts but minimal social conditions that allow the members to fully use their intrinsic liberty and pursue happiness with some reasonable hope for success.

The hard question accompanying positive rights is: *where is the line?* At what point does my responsibility to promote the rights of others impinge on *my own* freedom, my own pursuit of happiness, and my own life projects?

Rights in conflict

The deepest internal problems with rights ethics arise when **rights conflict**. Abortion is a quick, hot-button example. On one side (pro-life), support comes from the initial principle: a human being, born or not, has a right to life, which may not be breached. On the other side (pro-choice), every person's original freedom over themselves and their bodies ends all discussion. Now, one of the reasons this *debate is so intractable is that both sides find equally strong support within the same basic ethical framework. There's no way to decide without infringing on one right or the other.*

A complementary case arose around Lepp's Rasta religious gatherings. Though many of his neighbors did not care, there were a few who objected to having what were essentially mini-Woodstocks on the land next door. It was impossible, of course, for Lepp to entirely contain the noise, the smoke from fires, the traffic congestion, and the rest entirely on his property. The question is, when does my right to do what I want on my land need to be curtailed so that your right to dominion over yours is not soiled?

Broadening further, there is the question about Lepp growing marijuana for medicinal purposes. On one side, a rights theory supports his inclination to grow what he wants on his land and sell the fruits of his labours to other adults for their consenting use. His is a farming business like any other. But on the other side, a theory of rights can extend into the realm of positive requirements. The right to the pursuit of happiness implies a right to health, and this may require government oversight of medical products so that society as a whole may be protected from fraudulent claims or harmful substances. The question of marijuana shoots up right here. What happens when socially sanctioned entities like the US Food and Drug Administration decide that marijuana is harmful and should therefore be prohibited? Which rights trump the others, the negative right to freedom or the positive right to oversee medical substances?

A similar question comes up between Madoff and his investors. A pure libertarian may say that individuals have the unfettered right to do as they choose, so if Bernie Madoff lies about investing strategies and his clients go along with it, well, that's their problem. As long as they were not *forced*, they are free to do whatever they wish with their money, even if that means turning it over to a charlatan. Again here, however, a broader view of rights theory answers that in the complex world of finance and investment, the right to the pursuit of happiness is also a right to some governmental oversight designed to make sure that everyone involved in the financial industry is playing by a single set of rules, ones prohibiting Ponzi schemes and similar frauds.

Examples multiply easily. I have the right to free speech, but if I falsely yell "fire!" in a crowded theater and set off a life-threatening stampede, what is happening to everyone else's negative right to life and positive right to health? Leaving the specifics aside, the **conclusion** is that, in general, *problems with rights theory occur in one of two places:*

1. I have negative rights to life, freedom, and my possessions but they infringe on your rights to the same.
2. I have a right to freedom and to do what I want but that right clashes with larger, society-level protections put into place to assure everyone a reasonable shot at pursuing their happiness.

What justifies a right?

One justification for an ethics of rights is comparable with the earlier-noted idea about duties being part of the logic of the universe. Both duties and rights exist because that is the way things are in the moral world. Just like the laws of physics tell us how far a ball will fly when thrown at a certain speed, so too the rules of rights tell us what ought to happen and not happen in ethical reality. The English philosopher John Locke subscribed to this view when he called our rights “natural.” He meant that they are part of who we are and what we do and just by living we incarnate them.

Another justification for an ethics of rights is to derive them from the idea of duties. Kant reappears here, especially his imperative to treat others as ends and not as means to ends. If we are ends in ourselves, if we possess basic dignity, then that dignity must be reflected somehow: it must have some content, some meaning, and the case can be made that the content is our possession of certain autonomous rights.

Advantages and drawbacks of an ethics based on rights

Because of its emphasis on individual liberties, rights theory is very attractive to open-roaders and individualists. One of the central **advantages of a rights ethics** is that *it clears a broad space for you and me and everyone else to be ourselves or make ourselves in any way we choose.* On the other side of that strength, however, there is a **disadvantage**: *centering ethics on the individual leaves little space of agreement about how we can live together.* An ethics of rights does not do a lot to help us resolve our differences, it does little to promote tolerance, and it offers few guarantees that if I do something beneficial for you now, you will do something beneficial for me later on.

Another strong **advantage** associated with an ethics of rights is *simplicity in the sense that basic rights are fairly easy to understand and apply.* The **problem**, however, *with these blunt and comprehensible rights comes when two or more of them conflict.* In those circumstances it is hard to know which rights trump the others. In the case of Lepp’s business — the Medicinal Gardens — it is hard to be sure when his use of his land infringed on the rights of neighbours to enjoy their land, and it is difficult to know when the health product he offered — marijuana — should be prohibited in the name of the larger right to health for all individuals in a society. Most generally, it is difficult to adjudicate between claims of freedom: where does mine stop and yours begin?



Activity 1.6

1. How could the rights to freedom and the pursuit of happiness be set against Lepp's business?
2. What are positive rights and how could they be mustered against Lepp's farm?



Summary

Kantian ethics assume that the first task of ethics is *to determine what we are obligated to do*. By doing our duty, we do what is valuable (not the other way around). Kant's ethics is focused on the form or structure of a moral judgment (the fact that all moral directives have the form "you ought to do X"). The fundamental aim of Kant's ethical theory is to determine how a command can be a moral command with a particularly obligating character.

A right, *is something to which every individual in the community is morally entitled, and for which that community is entitled to disregard or forcibly remove anything that stands in the way of even a single individual getting it. Rights belong to individuals, and no organisation has any rights not directly derived from those of its members as individuals; and, just as an individual's rights cannot extend to where they will trespass on another individual's rights, similarly the rights of any organisation whatever must yield to those of a single individual, whether inside or outside the organisation.*



Self-test 1.2

1. Think back to your first job, whatever it was. Did you feel like you were used by the organisation, or did you feel like they were doing you a favour, giving you the job? How does the experience relate to the imperative to treat others as an end and not a means?

Suggested answers to activities



Feedback

Activity 1.5

1. No, donating all the money to charity will not remove the ethical stain from his name. This is because Kant's theory says that duties are a set of rules telling us what we are obligated to do in any particular situation. Kant's categorical imperative tells us that the ethical rules do not depend on the circumstance, therefore even if Madoff donate the money to charity, it does not absolved him of his wrongdoing.

Activity 1.6

1. As human beings, we have the rights to life, rights to freedom, rights to free speech which guarantees that we can do as we please as long as our actions do not encroach on the freedom of others. In Lepp's case, a massive brewery is constructed upstream from the farmland and soaks up most of the water to make beer, leaving the downstream farm with almost nothing for irrigation. A duty oriented ethics leads toward a solution that is more favourable for the larger community whereas the rights based perspectives leaves more room for individuality but at the cost of the interest of others.
2. The positive rights against Lepp is that they are obligations others have to help to protect and preserve my basic negative rights. For example, the right of life does not only require that people do not harm Lepp but it also requires that they come to Lepp's aid in life threatening situations. In Lepp's situation, smoking marijuana is excessive, maladaptive, or addictive use of drugs for non-medicinal purposes. Drug dependence gives rise to mental, emotional, biological or physical, social and economic instability. Drug abuse is a serious public health problem that affects almost every community and family in some way. Each year drug abuse causes millions of serious illnesses or injuries among Americans. Smoking marijuana is a form of drug abuse, thus may be harmful to Lepp's body and therefore he should be prohibited from planting and smoking marijuana.

1.3 Theories of Consequence Ethics: Traditional Tools for Making Decisions in Business

Objectives

By the end of this section, you should be able to:

1. Define consequentialism in ethics.
2. Define utilitarian ethics and its function in business
3. Distinguish forms of utilitarianism, its advantages and disadvantages.
4. Define altruistic ethics and its function in business
5. Explain the advantages and drawbacks of altruism.
6. Define ethical egoism and its function in business.
7. Explain the advantages and drawbacks of egoism.

Introduction

This section examines some theories guiding ethical decisions in business. It considers ethics that focuses on the consequences of what is done instead of prohibiting or allowing specific acts.

What is consequentialism?

What is more important in ethics — what you do or what happens afterward because of what you did? People who believe ethics should be about what happens afterward are labelled **consequentialists**. *They do not care so much about your act; they want to know about the consequences.*

If someone asks, “Should I lie?” one answer is, “No, lying is wrong. We all have a duty not to lie and therefore you shouldn’t do it, no matter what.” That is not the consequentialist answer, though. Consequentialists will want to know about the effects. If the lie is about Bernie Madoff assuring everyone that he is investing clients’ money in stocks when really he plans to steal it, that is wrong. But if a defrauded, livid, and pistol-waving client tracks Madoff down on a crowded street and demands to know whether he is Bernie Madoff, the ethically recommendable response might be, “People say I look like him, but really I’m Bill Martin.” The

question, finally, for a consequentialist is not whether or not I should lie, it is *what happens if I do and if I don't?*

Since consequentialists are more worried about the outcome than the action, the central ethical concern is what kind of outcome should I want? Traditionally, there are three kinds of answers: the utilitarian, the altruist, and the egoist. Each one will be considered in this section.

Utilitarianism: The greater good

The College Board and Karen Dillard

“Have you seen,” the blog post reads, “their parking lot on a Saturday?” It’s packed. The lot belongs to Karen Dillard College Prep (KDCP), a test-preparation company in Dallas. Like the Princeton Review, they offer high schoolers courses designed to boost performance on the SAT. Very little real learning goes on in these classrooms; they are more about techniques and tricks for maximising scores. Test takers should know, for example, whether a test penalises incorrect answers. If it does not, you should take a few minutes at each section’s end to go through and just fill in a random bubble for all the questions you could not reach so you will get some cheap points. If there is a penalty, though, then you should use your time to patiently work forward as far as you can go. Knowing the right strategy here can significantly boost your score. It’s a waste of brain space, though, for anything else in your life.

“CB-Karen Dillard Case Settled-No Cancelled Scores,” *College Confidential*, <http://talk.collegeconfidential.com/parents-forum/501843-cb-karen-dillard-case-settled-no-cancelled-scores.html> (Accessed 15 May 2011).

Some participants in KDCP — who paid as much as \$2,300 for the lessons — definitely got some score boosting for their money. It was unfair boosting, however; at least that is the charge of the College Board, the company that produces and administers the SAT.

Here is what happened. A KDCP employee’s brother was a high school principal, and he was there when the SATs were administered. At the end of those tests, everyone knows what test takers are instructed to do: stack the bubble sheets in one pile and the test booklets in the other and leave. The administrators then wrap everything up and send both the answer sheets and the booklets back to the College Board for scoring. The principal, though, was pulling a few test booklets out of the stack and sending them over to his brother’s company, KDCP. As it turns out, some of these pilfered tests were “live” — that is, sections of them were going to be used again in future tests. Now, you can see how getting a look at those booklets would be helpful for someone taking those future tests.

Other stolen booklets had been “retired,” meaning the specific questions inside were on their final application the day the principal grabbed them. So at least in these cases, students taking the test-prep course could not count on seeing the very same questions come exam day. Even so, the College Board did not like this

theft much better because they sell those retired tests to prep companies for good money.

When the College Board discovered the light-fingered principal and the KDCP advantage, they launched a lawsuit for infringement of copyright. Probably figuring they had nothing to lose, KDCP sued back.

Mis, P (2008) 'College board sues test-prep company, countersuit filed,' Scholarships.com, 26 February <http://www.scholarships.com/blog/high-school/college-board-sues-test-prep-company-countersuit-filed/161> (Accessed 15 May 2011).

College Board also threatened — and this is what produced headlines in the local newspaper — to cancel the scores of the students who they determined had received an unfair advantage from the KDCP course. As *Denton Record-Chronicle* reported (and as you can imagine), the students and their families freaked out.

Hupp, S (2008) 'SAT scores for students who used test prep firm may be thrown out,' *Denton Record Chronicle*, 22 February. Accessed 15 May 2011).

The scores and full application packages had already been delivered to colleges across the country, and score cancellation would have amounted to application cancellation. And since many of the students applied only to schools requiring the SAT, the threat amounted to at least temporary college cancellation. "I hope the College Board thinks this through," said David Miller, a Plano attorney whose son was apparently on the blacklist. "If they have a problem with Karen Dillard, that's one thing. But I hope they don't punish kids who wanted to work hard."

Predictably, the episode crescendoed with everyone lawyered up and suits threatened in all directions. In the end, the scores were not canceled. KDCP accepted a settlement calling for them to pay \$600,000 directly to the College Board and provide \$400,000 in free classes for high schoolers who would otherwise be unable to afford the service. As for the principal who had been lifting the test booklets, he got to keep his job, which pays about \$87,000 a year. The CEO of College Board, by the way, gets around \$830,000.

'AETR Report Card,' *Americans for Educational Testing Reform* <http://www.aetr.org/college-board.php> (Accessed 15 May 2011).

KDCP is a private company, so we do not know how much Karen Dillard or her employees make. We do know they could absorb a million-dollar lawsuit without going into bankruptcy. Finally, the Plano school district in Texas — a well-to-do suburb north of Dallas — continues to produce some of the nation's highest SAT score averages.

One thief, three verdicts

Utilitarianism is a consequentialist ethics — *the outcome matters, not the act.* Among those who focus on outcomes, the **utilitarians'** distinguishing belief is that we should pursue the greatest good for the greatest number. So we can act in whatever way we choose — we can be generous or miserly, honest or dishonest — but whatever we do, to get the utilitarian's approval, the result should be more people happier. If that is the result, then the utilitarian needs to know nothing more to label the act ethically recommendable. (Note: Utility is a general term for usefulness and benefit, thus the theory's name. In everyday language, however, we do not talk about creating a greater utility but instead a greater good or happiness.)

In rudimentary terms, **utilitarianism** is a *happiness calculation*. When you are considering doing something, you take each person who will be affected and ask whether they will end up happier, sadder, or it will not make any difference. Now, those who will not change do not need to be counted. Next, for each person who is happier, ask, how much happier? Put that amount on one side. For each who is sadder, ask, how much sadder? That amount goes on the other side. Finally, add up each column and the greater sum indicates the ethically recommendable decision.

Utilitarian ethics function especially well in cases like this:

You are on the way to take the SAT, which will determine how the college application process goes (and, it feels like, more or less your entire life). Your car breaks down and you get there very late and the monitor is closing the door and you remember that...you forgot your required number 2 pencils. On a desk in the hall you notice a pencil. It is gnawed and abandoned but not yours. Do you steal it? Someone who believes it is an ethical duty to not steal will hesitate. But if you are a utilitarian you will ask: Does taking it serve the greater good? It definitely helps you a lot, so there is positive happiness accumulated on that side. What about the victim? Probably whoever owns it does not care too much. Might not even notice it's gone. Regardless, if you put your increased happiness on one side and weigh it against the victim's hurt on the other, the end result is almost certainly a net happiness gain. So with a clean conscience you grab it and dash into the testing room. According to utilitarian reasoning, you have done the right thing ethically (assuming the pencil's true owner is not coming up behind you in the same predicament).

Pushing this theory into the KDCP case, one tense ethical location is the principal lifting test booklets and sending them over to his brother at the test-prep center. Everything begins with a theft. The booklets do in fact belong to the College Board; they are sent around for schools to use during testing and are meant to be returned afterward. So here, there is already the possibility of stopping and concluding that the principal's act is wrong simply because stealing is wrong. Utilitarians, however, do not want to move so quickly. They want to see the outcome before making an ethical judgement. On that front, there are two distinct outcomes: one covering the live tests, and the other the retired ones.

Live tests were those with sections that may appear again. When students at KDCP received them for practice, they were essentially receiving cheat sheets. Now for a utilitarian, the question is, does the situation serve the general good? When the testing is done, the scores are reported, and the college admissions decisions made, will there be more overall happiness than there would have been had the tests not been stolen? It seems like the answer has to be no. Obviously those with great scores will be smiling, but many, many others will see their scores drop (since SATs are graded on a curve, or as a percentile). So there is some major happiness for a few on one side balanced by unhappiness for many on the other. Then things get worse. When the cheating gets revealed, the vast majority of test takers who did not get the edge are going to be irritated, mad, or furious. Their parents too. Remember, it is not only admission that is at stake here but also financial aid, so the students who did not get the KDCP edge worry not only that maybe they should have gotten into a better school but also that they end up paying more too. Finally, the colleges will register a net loss: all their work in trying to admit students on the basis of fair, equal evaluations gets thrown into question.

Conclusion

1. The theft of live tests fails the utilitarian test. While a few students may come out better off and happier, the vast majority more than balances the effect with disappointment and anger. The greater good is not served.

In the case of the theft of “retired” tests where the principal forwarded to KDCP test questions that will not reappear on future exams, it remains true that the tests were lifted from the College Board and it remains true that students who took the KDCP prep course will receive an advantage because they are practicing the SAT. But the advantage does not seem any greater than the one enjoyed by students all around the nation who purchased prep materials directly from the College Board and practiced for the exam by taking old tests. More — and this was a point KDCP made in their countersuit against the College Board — stealing the exams was the ethically right thing to do because it assured that students taking the KDCP prep course got the same level of practice and expertise as those using official College Board materials. If the tests had not been stolen, then would not KDCP kids be at an unfair disadvantage when compared with others because their test practices had not been as close to the real thing as others got? In the end, the argument goes, stealing the tests assured that as many people as possible who took prep courses got to practice on real exams.

2. The theft of the exams by the high school principal may conceivably be congratulated by a utilitarian because it increases general happiness. The students who practiced on old exams purchased from the College Board cannot complain. And as for those students at KDCP, their happiness increases since they can be confident that they have prepared as well as possible for the SAT.

The fact that a utilitarian argument can be used to justify the theft of test booklets, at least retired ones, does not end the debate, however. Since the focus is on outcomes, all of them have to be considered. And one outcome that might occur if the theft is allowed is, obviously, that maybe other people will start thinking stealing exam books is not such a bad idea. If they do — if everyone decides to start stealing — it is hard to see how anything could follow but chaos, anger, and definitely not happiness.

This discussion could continue as more people and consequences are factored in, but what will not change is the basic utilitarian rule. *What ought to be done is determined by looking at the big picture and deciding which acts increase total happiness at the end of the day when everyone is taken into account.*

Should the scores be cancelled?

After it was discovered that KDCP students got to practice for the SATs with live exams, the hardest question facing the College Board was, should their scores be cancelled? The utilitarian argument for not canceling is straightforward. Those with no scores may not go to college at all next year. This is real suffering, and if your aim is to increase happiness, then counting the exams is one step in that direction. It is not the last step, though, because utilitarians at the College Board need to ask about *everyone else's happiness* too: what's the situation for all the others who took the exam but have never heard of KDCP? Unfortunately, letting the scores be counted is going to subtract from their happiness because the SAT is graded comparatively: one person doing well means everyone getting fewer correct answers sees their score drop, along with college choices and financial aid possibilities. Certainly it's true that each of these decreases will be small since there were only a handful of suspect tests. Still, a descent, no matter how tiny, is a descent, and all the little bits add up.

What is most notable, finally, about this decision is the imbalance. Including the scores of KDCP students will weigh a tremendous increase in happiness for a very few against a slight decrease for very many. Conversely, a few will be left very sad, and many slightly happier. So for a utilitarian, which is it? It is hard to say. It is clear, however, that this uncertainty represents a serious practical problem with the ethical theory. In some situations you can imagine yourself in the shoes of the different people involved and, using your own experience and knowledge, estimate which decision will yield the most total happiness. In this situation, though, it seems almost impossible because there are so many people mixed up in the question.

Then things get still more difficult. For the utilitarian, it is not enough to just decide what brings the most happiness to the most individuals right now; the future needs to be accounted for too. *Utilitarianism is a true global ethics; you are required to weigh everyone's happiness and weigh it as best as you can as far into the future as possible.* So if the deciders at the College Board follow a utilitarian route in opting to include (or cancel) the scores, they need to ask themselves — if we do, how will things be in ten years? In fifty? Again, these are hard questions but they do not change anything fundamental. For the utilitarian, making the right decision continues to be about attempting to predict which choice will maximise happiness.

Utilitarianism and the ethics of salaries

When he was not stealing test booklets and passing them on to KDCP, the principal in the elite Plano school district was dedicated to his main job: making sure students in his building receive an education qualifying them to do college-level work. Over at the College Board, the company's CEO leads a complementary effort: producing tests to measure the quality of that preparation and consequently determine students' scholastic aptitude. The principal, in other words, is paid to make sure high schoolers get an excellent education, and the CEO is paid to measure how excellent (or not) the education is.

Just from the job descriptions, who should get the higher salary? It is tempting to say the principal. Doesn't educating children have to be more important than measuring how well they are educated? Would we not all rather be well educated and not know it than poorly educated and painfully aware of the fact?

Regardless, what is striking about the salary that each of these two actually receives is not who gets more; it is how much. The difference is almost ten times: \$87,000 for the principal versus the CEO's \$830,000. Within the doctrine of utilitarianism, can such a divergence be justified?

Yes, but only if we can show that this particular salary structure brings about the greatest good, the highest level of happiness for everyone considered as a collective. It may be, for example, that objectively measuring student ability, even though it is less important than instilling ability, is also much harder. In that case, a dramatically higher salary may be necessary in order to lure high-quality measuring talent. From there, it is not difficult to fill out a utilitarian justification for the pay divergence. It could be that inaccurate testing would cause large amounts of unhappiness: students who worked hard for years would be frustrated when they were bettered by slackers who really did not know much but managed to score well on a test.

To broaden the point, if tremendous disparities in salary end up making people happier, then the disparities are ethical. Period. If they do not, however, then they can no longer be defended. This differs from what a libertarian rights theorist might say here. For a libertarian — someone who believes individuals have an undeniable right to make and keep whatever they can in the world, regardless of how rich or poor anyone else may be — the response to the CEO's mammoth salary is that he found a way to earn it fair and square, and everyone should quit complaining about it. Generalised happiness does not matter, only the individual's right to try to earn and keep as much as he or she can.

Can money buy utilitarian happiness? The Ford Pinto case

Basic questions in business tend to be quantitative, and money is frequently the bottom line: *How many dollars is it worth? What is my salary? What is the company's profit?* The basic question of utilitarianism is qualitative: *how much happiness and sadness is there?* Inevitably, it is going to be difficult when businesses accustomed to bottom-line number decisions are forced to cross over and decide about general happiness. One of the most famous attempts to make the transition easier occurred back in the 1970s.

With gas prices on the rise, American car buyers were looking for smaller, more efficient models than Detroit was manufacturing. Japanese automakers were experts in just those kinds of vehicles and they were seizing market share at an alarming rate. Lee Iacocca, Ford's president, wanted to rush a car into production to compete. His model was the Pinto.

The Ford Pinto case

A gas sipper slated to cost \$2,000 (about \$12,000 today), Ford rushed the machine through early production and testing. Along the way, unfortunately, they noticed a design problem: the gas tank's positioning in the car's rump left it vulnerable to rear-end collisions. In fact, when the rear-end hit came faster than twenty miles per hour, not only might the tank break, but gasoline could be splattered all the way up to the driver's compartment. Fire, that meant, ignited by sparks or anything else could engulf those inside.

No car is perfectly safe, but this very scary vulnerability raised eyebrows. At Ford, a debate erupted about going ahead with the vehicle. On the legal end, the company stood on solid ground: government regulation at the time only required gas tanks to remain intact at collisions under twenty miles per hour. What about the ethics, though? The question about whether it was *right* to charge forward was unavoidable because rear-end accidents at speeds greater than twenty miles per hour happen — every day.

Case facts taken from Velasquez, M (2006) Business Ethics, Concepts and Cases, 6th edn, Upper Saddle River, NJ: Pearson Prentice Hall, 60–61.

The decision was finally made in utilitarian terms. On one side, the company totaled up the dollar cost of redesigning the car's gas tank. They calculated:

- 12.5 million automobiles would eventually be sold.
- Eleven dollars would be the final cost per car to implement the redesign.

Added up, that is \$137 million total, with the money coming out of Pinto buyers' pockets since the added production costs would get tacked onto the price tag. It is a big number but it is not that much per person: \$11 is about \$70 today. In this way, the Pinto situation faced by Ford executives is similar to the test

cancellation question for the College Board: one option means only a little bit of suffering for specific individuals, but there are a lot of them.

On the other side of the Pinto question — and, again, this resembles the College Board predicament — if the decision is made to go ahead without the fix, there is going to be a lot of suffering but only for a very few people. Ford predicted the damage done to those few people in the following ways:

- Death by burning for 180 buyers.
- Serious burn injuries for another 180 buyers.
- Twenty-one hundred vehicles burned beyond all repair.

That is a lot of damage, but how do you measure it? How do you compare it with the hike in the price tag? More generally, from a utilitarian perspective, is it better for a lot of people to suffer a little or for a few people to suffer a lot?

Ford answered both questions by directly attaching monetary values to each of the injuries and damages suffered:

- At the time, 1970, US Government regulatory agencies officially valued a human life at \$200,000. (That would be about \$1.2 million today if the government still kept this problematic measure.)
- Insurance companies valued a serious burn at \$67,000.
- The average resale value on subcompacts like the Pinto was \$700, which set that as the amount lost after a complete burnout.

The math coming out from this is $(180 \text{ deaths} \times \$200,000) + (180 \text{ injuries} \times \$67,000) + (2,100 \text{ burned-out cars} \times \$700) = \$49 \text{ million}$. The result here is \$137 million worth of suffering for Pinto drivers if the car is redesigned and only \$49 million if it goes to the streets as is.

Ford sent the Pinto out. Over the next decade, according to Ford estimates, at least 60 people died in fiery accidents and at least 120 got seriously burned (skin-graft-level burns). No attempt was made to calculate the total number of burned vehicles. Shortly thereafter, the Pinto was phased out. No one has final numbers, but if the first decade is any indication, then the total cost came in under the original \$49 million estimate. According to a utilitarian argument, and assuming the premises concerning dollar values are accepted, Ford made the right decision back in 1970.

If every Pinto purchaser had been approached the day after buying the car, told the whole Ford story, and been offered to change their car along with eleven dollars for another one without the gas tank problem, how many would have handed the

money over to avoid the long-shot risk? The number might have been very high, but that does not sway a utilitarian conclusion. *The theory demands that decision makers stubbornly keep their eye on overall happiness no matter how much pain a decision might cause certain individuals.*

Versions of utilitarian happiness

Monetised utilitarianism attempts to measure happiness, to the extent possible, in terms of money. As the Ford Pinto case demonstrated, the advantage here is that it allows decisions about the greater good to be made in clear, objective terms. You add up the money on one side and the money on the other and the decision follows automatically. This is a very attractive benefit, especially when you are dealing with large numbers of individuals or complex situations. Monetised utilitarianism allows you to keep your happiness calculations straight.

Two further varieties of utilitarianism are **hedonistic** and **idealistic**. Both seek to maximise human happiness, but their definitions of happiness differ. **Hedonistic utilitarians** trace back to **Jeremy Bentham** (England, around 1800). Bentham was a wealthy and odd man who left his fortune to the University College of London along with the stipulation that his mummified body be dressed and present at the institution. It remains there today. He sits in a wooden cabinet in the main building, though his head has been replaced by a wax model after pranking students repeatedly stole the real one. Bentham believed that pleasure and happiness are ultimately synonymous. Ethics, this means, seeks to maximise the pleasures — just about any sensation of pleasure — felt by individuals. But before dropping everything and heading out to the bars, it should be remembered that even the most hedonistic of the utilitarians believe that *getting pleasure right now is good but not as good as maximising the feeling over the long term.* (Going out for drinks, in others words, instead of going to the library is not recommendable on the evening before midterms.)

A contemporary of Bentham, **John Stuart Mill**, basically agreed that ethics is about maximising pleasure, but his more **idealistic utilitarianism distinguished low and highbrow sensations.** The kinds of raw, good feelings that both we and animals can find, according to Mill, are second-rate pleasures. Pleasures with higher and more real value include learning and learnedness. These are not physical joys so much as the delights of the mind and the imagination. For Mill, consequently, libraries and museums are scenes of abundant pleasure, much more than any bar.

This idealistic notion of utilitarianism fits quite well with the College Board's response to the KDCP episode. First, deciding against canceling student scores seems like a way of keeping people on track to college and headed toward the kind of learning that rewards our cerebral inclinations. Further, awarding free prep classes to those unable to pay seems like another step in that direction, at least if it helps get them into college.

Versions of utilitarian regulation

A narrow distinction with far-reaching effects divides soft from hard utilitarianism. Soft utilitarianism is the standard version; when people talk about a utilitarian ethics, that is generally what they mean. As a theory, soft utilitarianism is pretty laid back: an act is good if the outcome is more happiness in the world than we had before. Hard utilitarianism, on the other hand, demands more: an act is ethically recommendable only if the total benefits for everyone are greater than those produced by any other act.

According to the hard version, it is not enough to do good; you must do the most good possible. As an example, think about the test-prep company KDCP under the microscope of utilitarian examination.

1. When a soft utilitarian looks at KDCP, the company comes out just fine. High schoolers are learning test-taking skills and tricks that they will only use once but will help in achieving a better score and leave behind a sense that they have done all they can to reach their college goals. That means the general happiness level probably goes up — or at worst holds steady — because places like KDCP are out there.
2. When a hard utilitarian looks at KDCP, however, the company does not come off so well. Can we really say that this enterprise's educational subject — test taking — is the very best use of teaching resources in terms of general welfare and happiness? And what about the money? Is SAT prep really the best way for society to spend its dollars? Would a hard utilitarian not have to recommend that the tuition money collected by the test-prep company get siphoned off to pay for, say, college tuition for students who otherwise would not be able to continue their studies at all?

If decisions about businesses are *totally* governed by the need to create the most happiness possible, then companies like KDCP that don't contribute much to social well-being will quickly become endangered.

The demands of hard utilitarianism can be layered onto the ethical decision faced by the College Board in their courtroom battle with KDCP. Ultimately, the College Board opted to penalise the test-prep company by forcing it to offer some free classes for underprivileged students. Probably, the result was a bit more happiness in the world. The result was not, however, the most happiness possible. If hard utilitarianism had driven the decision, then the College Board would have been forced to go for the jugular against KDCP, strip away all the money they could, and then use it to do the most good possible, which might have meant setting up a scholarship fund or something similar. That is just a start, though. Next, *to be true to hard utilitarianism*, the College Board would need to focus on itself with hard questions. The costs of creating and applying tests including the SAT are tremendous, which makes it difficult to avoid this question: would society as a whole not be better off if the College Board were to be canceled and all their resources dedicated to, for example, creating a new university for students with learning disabilities?

Going beyond KDCP and the College Board, would almost *any* private company not fall under the threat of appropriation if hard utilitarians ran the world? While it is true, for example, that the money spent on steak and wine at expensive Las Vegas restaurants probably increases happiness a bit, could not that same cash do a lot more for the general welfare of people whose income makes Las Vegas an impossibly expensive dream? If it could, then the hard utilitarian will propose zipping up Las Vegas and rededicating the money.

Finally, since utilitarianism is about everyone's total happiness, do hard questions not start coming up about world conditions? Is it possible to defend the existence of McDonald's in the United States while people are starving in other countries?

Conclusion

In theory, there is not much divergence between soft and hard utilitarianism. But in terms of what actually happens out in the world when the theory gets applied, that is a big difference. For private companies, it is also a dangerous one.

Two further versions of utilitarian regulation are act and rule. **Act utilitarianism** affirms that a specific action is recommended if it increases happiness. This is the default form of utilitarianism, and what people usually mean when they talk about the theory. The separate rule-based version asserts that an action is morally right if it follows a rule that, when applied to everyone, increases general happiness.

The **rule utilitarian** asks *whether we would all be benefitted if everyone obeyed a rule such as "don't steal."* If we would — if the general happiness level increases because the rule is there — then the rule utilitarian proposes that we all adhere to it. It's important to note that rule utilitarians are not against stealing because it is intrinsically wrong, as duty theorists may propose. The rule utilitarian is only against stealing if it makes the world less happy. If tomorrow it turns out that mass stealing serves the general good, then theft becomes the ethically right thing to do.

The sticky point for rule utilitarians involves special cases. If we make the rule that theft is wrong, consider what happens in the case from the chapter's beginning: You forgot your pencil on SAT test day, and you spot one lying on an abandoned desk. If you do not take it, no one's going to be any happier, but you will be a lot sadder. So it seems like rule utilitarianism verges on defeating its own purpose, which is maximising happiness no matter what.

On the other hand, there are also sticky points for act utilitarians. For example, if I go to Walmart tonight and steal a six-pack of beer, I will be pretty happy. And assuming I do not get caught, no one will be any sadder. The loss to the company — a few dollars — will disappear in a balance sheet so huge that it is hard to count the zeros. Of course if everyone starts stealing beers, that will cause a problem, but in practical terms, if one person does it once and gets away with it, it seems like an act utilitarian would have to approve. The world would be a happier place.



Activity 1.7

1. Should a person cheat in a test?

Advantages and disadvantages of utilitarian ethics in business

Basic utilitarianism is the soft, act version. These are the theory's central **advantages**:

1. **Clarity and simplicity.** In general terms, it is easy to understand the idea that we should all act to increase the general welfare.
2. **Acceptability.** The idea of bringing the greatest good to the greatest number coheres with common and popular ideas about what ethical guidance is supposed to provide.
3. **Flexibility.** The weighing of individual actions in terms of their consequences allows for meaningful and firm ethical rules without requiring that everyone be treated identically no matter how different the particular situation. So the students whose scores were suspended by the College Board could see them reinstated, but that does not mean the College Board will take the same action in the future (if, say, large numbers of people start stealing test booklets).
4. **Breadth.** The focus on outcomes as registered by society overall makes the theory attractive for those interested in public policy. Utilitarianism provides a foundation and guidance for business regulation by government.

The central difficulties and **disadvantages** of utilitarianism include the following:

1. **Subjectivity.** It can be hard to make the theory work because it is difficult to know what makes happiness and unhappiness for specific individuals. When the College Board demanded that KDCP give free classes to underprivileged high schoolers, some paying students were probably happy to hear the news, but others probably fretted about paying for what others received free. And among those who received the classes, probably the amount of resulting happiness varied between them.
2. **Quantification.** Happiness can't be measured with a ruler or weighed on a scale; it is hard to know exactly how much happiness and unhappiness any particular act produces. This translates into confusion at decision time. (Monetised utilitarianism, like that exhibited in the case of the Ford Pinto, responds to this confusion.)

3. **Apparent injustices.** Utilitarian principles can produce specific decisions that seem wrong. A quick example is the dying grandmother who informs her son that she has got \$200,000 stuffed into her mattress. She asks the son to divide the money with his brother. This brother, however, is a gambling alcoholic who will quickly fritter away his share. In that case, the utilitarian would recommend that the other brother — the responsible one with children to put through college — just keep all the money. That would produce the most happiness, but do we really want to deny grandma her last wish?
4. **The utilitarian monster** is a hypothetical individual who really knows how to feel good. Imagine that someone or a certain group of people were found to have a much greater capacity to experience happiness than others. In that case, the strict utilitarian would have no choice but to put everyone else to work producing luxuries and other pleasures for these select individuals. In this hypothetical situation, there could even be an argument for forced labor as long as it could be shown that the servants' suffering was minor compared to the great joy celebrated by those few who were served. Shifting this into economic and business terms, there's a potential utilitarian argument here for vast wage disparities in the workplace.
5. **The utilitarian sacrifice** is the selection of one person to suffer terribly so that others may be pleased. Think of gladiatorial games in which a few contestants suffer miserably, but a tremendous number of spectators enjoy the thrill of the contest. Moving the same point from entertainment into the business of medical research, there is a utilitarian argument here for drafting individuals — even against their will — to endure horrifying medical experiments if it could be shown that the experiments would, say, cure cancer, and so create tremendous happiness in the future.

Altruism: Everyone else

Consider the following case ...

TOMS Shoes

There is no Tom at TOMS Shoes. The company's name actually came from the title for its social cause: Shoes for Tomorrow. Tomorrow shoes — *TOMS Shoes*. The shoes are given away to needy children in Argentina at a one-to-one rate: for every pair bought in the United States, TOMS delivers a pair down there.

They are needed in Argentina's poverty-stricken regions to prevent the spread of an infectious disease, one that flourishes in the local soil and rises up through the feet. A pair of shoes is all that is needed to block the problem.

The project started when young Texan entrepreneur Blake Mycoskie vacationed in Argentina. Not the type to luxuriate in the hotel pool, he got out and learnt about the country, good and bad, the food, the sweeping geography, the poverty and diseases.

The foot infection, he discovered, was so devastating yet so easy to block that, according to his company's website, he decided he had to do something about it.

TOMS Shoes One for One Movement <http://www.toms.com/our-movement> (Accessed 15 May 2011).

Initially, he contemplated a charitable fund to buy shoes for the needy children, but that left his project subject to the ebb and flow of others' generosity. It would be better and more reliable, he determined, to link the community-service project with private enterprise and use revenues from a company to fund the charity. Quickly, Mycoskie determined that he could make the whole machine work most efficiently by starting a shoe company. Simultaneously, he could produce shoes for donation and shoes for sale to finance the effort. So we have TOMS Shoes.

Next, a kind of shoe to produce and sell was required. Mycoskie found inspiration in Argentina's traditional alpargata. This is a cheap, workingman's shoe, a slip-on made from canvas with rope soles.

TOMS Shoes (2006) <http://cdn2.tomsshoes.com/images/uploads/2006-oct-vogue.jpg> (Accessed 15 May 2011).

For the American adaptation, Mycoskie strengthened the sole, styled and coloured the canvas, and added a brand label. The price also got jacked up. The originals cost a few dollars in Argentina; the adaptations cost about forty dollars here.

They are a splashy hit. You find TOMS Shoes at trendy footwear shops, at Whole Foods grocery stores, and all over the Internet. At last check, about half a million pairs have been sold and an equal number donated. Total sales in seven figures is not far off, and the company was recently featured on a CNBC segment as an American business success story. Notably, TOMS achieved recognition on national TV sooner after its inception than almost any other enterprise in the program's history. It all happened in fewer than four years.

Question: How did it get so big so fast? How did some guy transform from a wandering tourist to a captain of the shoe industry in less time than it takes to get a college degree?

Answer: Celebrities.

Blake Mycoskie's got a warm, round face and a perfect smile. He has got money from his preshoe projects and he is smart too. He has also got that contemporary bohemian look down with his bead necklace and wavy, shoulder-length hair. There is no letdown beneath the chin line either; he is fit (he was a tennis pro until nineteen). You get the idea. He commands attention from even Hollywood women, and he ended up coupled with the midrange star Maggie Grace. He introduced her to his TOMS Shoes concept, gave her a few pairs to wear around and show friends, and the ball started rolling. sharon_b, December 14, 2008 (5:24 p.m.),

‘Blake Mycoskie — he’s handsome, rich and helps children in the Third World,’ *Gossip Rocks* <http://www.gossiprocks.com/forum/news/90958-blake-mycoskie-hes-handsome-rich-helps-children-third-world.html> (Accessed 15 May 2011).

A few parties later, Scarlett Johansson, Jessica Biel, Benicio Del Toro, Tobey Maguire, Sienna Miller, and Karl Lagerfeld were parading around in TOMS Shoes. There was no stopping it.

Blume, L M M (2008) ‘You are what you wear,’ *Huffington Post*, July 30 http://www.huffingtonpost.com/lesley-m-m-blume/you-are-what-you-wear_b_65967.html (Accessed 15 May 2011).

Today, when Blake Mycoskie introduces himself, it is not as the CEO of his company; he says he is the *Chief Shoe Giver* at TOMS Shoes, reflecting the idea that charity drives the thriving business, not the other way around.

Is TOMS Shoes altruistic?

An action is morally right according to the altruist, and to the ethical theory of altruism, if the action’s consequences are more beneficial than unfavourable for everyone except the person who acts. That means the actor’s interests are not considered: the altruist does whatever can be done so that others will be happier.

It is common to imagine the altruist as poverty stricken and self-sacrificing. When you live for everyone else as the altruist does, it is no surprise that you can end up in pretty bad shape. You might get lucky and run into another altruist like yourself, but if you do not, there is not going to be anyone particularly dedicated to your well-being. On the positive side there’s nobility to the idea of dedicating everything to everyone else, but the plain truth is not many of us would choose to live like Gandhi or Mother Teresa.

It does not *have* to be that way, though. A suffering life may be an effect of altruism, but it is not a requirement. Living for others does not mean you live poorly, only that there is no guarantee you will live well. You might, however, live well. Blake Mycoskie demonstrates this critical element at the heart of altruism: it is not about suffering or sacrificing; it is about making clear-eyed decisions about the best way to make as many others as happy as possible. If you happen to live the good life along the way — partying with Maggie Grace, Sienna Miller and friends because that is the fastest route to publicise the TOMS Shoes enterprise — that does not count against the project. It does not count in favour either. All that matters, all that gets tallied up when the question gets asked about whether the altruist did good, is how things ended up for everyone else.

In the case of TOMS Shoes, the tallying is easy. The relatively wealthy shoe buyers in the United States come off well; they get cool, politically correct footwear to show friends along with a psychological lift from knowing they’re helping the less fortunate. On the other side, the rural Argentines obviously benefit also.

Some rules of altruism

Altruism is a consequentialist ethics. Like utilitarianism, no specific acts are prohibited or required; only outcomes matter. That explains why there are no lifestyle requirements for the altruist. Some live stoically like Gandhi while others like Mycoskie get the high life, but they are both altruists as long as the goal of their lives and the reason for their actions is bringing happiness to others. Similarly, the altruist might be a criminal (Robin Hood) or a liar (see Socrates's noble lie).

Like the utilitarian, most of the *hard questions altruists face concern happiness*. They include:

1. *The happiness definition*. Exactly what counts as happiness? In the case of TOMS donating shoes to rural Argentines, the critical benefit is alleviation of disease and the suffering coming with it. Happiness, in other words, is defined here as a release from real, physical pain. On the other hand, with respect to the shoes sold in the States, the happiness is completely different; it is a vague, good feeling that purchasers receive knowing their shopping is serving a social cause. How do we define happiness in a way that ropes in both these distinct experiences?
2. Once happiness has been at least loosely defined, another question altruists face is the *happiness measure*: how do we know which is worth more, the alleviation of suffering from a disease or the warm happiness of serving a good cause? And even if the answer to that question is clear, how great is the difference, how can it be measured?
3. Another altruism difficulty is *happiness foresight*. Even if donating shoes helps in the short term, are the recipients' lives really going to be happier overall? Conditions are hard in the abandoned regions of the third world, and alleviation of one problem may just clear the way for another. So TOMS Shoes saves poverty-stricken Argentines from suffering a debilitating foot disease, but how much good are you really doing if you save people only so that they are free to suffer aching hunger, miserable sickness in places lacking antibiotics, and hard manual labor because there's no other work?

Altruism is a variety of selflessness, but it is not the same thing; people may deny themselves or they may sacrifice themselves for all kinds of other reasons. For example, a soldier may die in combat, but that is not altruism; that is loyalty: it is not sacrificing for everyone else but for a particular nation. The same may go for the political protestor who ends up jailed and forgotten forever. That is self-sacrifice, but she did it for the cause and not for all the others. The fireman may lose his life rescuing a victim, but this is because he's doing his job, not because he has decided to live for the sake of others. All altruists, finally, are selfless, but not all those who sacrifice themselves are altruists.

Personal versus impersonal altruism distinguishes two kinds of altruists: those who practice altruism on their own and leave everyone else alone, and those who believe that everyone should act only to benefit others and without regard to their own well-being.

The altruist in business and the business that is altruistic

TOMS Shoes shows that a business can be mounted to serve the welfare of others. A company aiming to serve an altruistic purpose does not have to be organised altruistically. However, an individual truly dedicated to everyone else could start a more traditional company (a real estate firm, for example), work like a dog, turn massive profits, and in the end, donate everything to charity. It may even be that during the profit-making phase the altruist CEO is ruthless, exploiting workers and consumers to the maximum. All that is fine as long as the general welfare is served in the end when all the suffering is toted up on one side and the happiness on the other. A business operation that is not at all altruistic, in other words, can be bent in that direction by an altruistic owner.

Going the other way, the business operation itself may be altruistic. For example, this comes from the College Board's website, the *About Us* page: The College Board is a not-for-profit membership association whose mission is to connect students to college success and opportunity.

'About us,' *College Board* <http://about.collegeboard.org> (Accessed 15 May 2011).

That sounds like a good cause. The company does not exist to make money but to implement testing that matches students with their best-fit colleges. It is, in other words, an altruistic enterprise, and the world, the argument could be made, is a better place because the College Board exists. But — and this is the important distinction — that does not mean everyone who *works* at the College Board is selfless. Far from it, the CEO takes home \$830,000 a year. That money would buy a lot of shoes for the poverty-stricken in Argentina. So, there can be altruistic business organisations driven by workers who aren't altruists.

A church is also a business organisation with cash flows, budgets, and red and black ink. The same goes for Goodwill. Here is their mission statement: "Goodwill Industries International enhances the dignity and quality of life of individuals, families and communities by eliminating barriers to opportunity and helping people in need reach their fullest potential through the power of work."

'Our mission,' Goodwill Industries International, Inc. <http://www.goodwill.org/about-us/our-mission> (Accessed 15 May 2011).

So, the Salvation Army fits into the group of altruistic enterprises, of organisations that exist, like the College Board, to do public good. It is distinct from the College Board, however, in that a very healthy percentage of those working inside the organisation are themselves altruists — they are working for the cause, not their own welfare. Think of the Salvation Army red kettle bell ringers around Christmas time.

Conclusion

Altruism connects with business in three basic ways. There are altruists who use normal, profit-driven business operations to do good. There are altruistic companies that do good by employing non-altruistic workers. There are altruistic organisations composed of altruistic individuals.

Advocating and challenging ethical altruism

The arguments for and against an altruistic ethics overlap to a considerable extent with those listed under utilitarianism. The **advantages** include:

1. **Clarity and simplicity.** People may disagree about exactly how much good a company like TOMS Shoes is really doing, but the overall idea that the founder is working so that others can be happier is easy to grasp.
2. **Acceptability.** The idea of working for others grants an ethical sheen. No matter what you might think of someone as a person, it is very difficult to criticise them in ethical terms if they really are dedicating themselves to the well-being of everyone else.
3. **Flexibility.** Altruists have many ways of executing their beliefs.

The **disadvantages** of altruism include:

1. **Uncertainty about the happiness of others.** Even if individuals decide to sacrifice their own welfare for the good of others, how do they know for sure what makes others happy?
2. **Shortchanging yourself.** Even though altruism does not require that the altruist live a miserable life, there does not seem to be any clear reason why the altruist should not get an at least equal claim to happiness as everyone else (as in a utilitarian approach). Also, some critics suspect that altruism can be a way of escaping your own life: if you spend all your time volunteering, could it be that deep down you are not a good soul so much as just afraid of going out into the competitive world and trying to win a good place for yourself?



Activity 1.8

1. Does TOMS Shoes have to be an altruistic enterprise for Mycoskie to be considered an altruist?
 2. What are some other motives that may lead someone to live the life of an altruist?
-

Egoism: Just me

Ethical egoism: *whatever action serves my self-interest is also the morally right action.* What is good for me in the sense that it gives me pleasure and happiness is also good in the sense that it is the morally right thing to do.

Ethical egoism mirrors altruism: If I am an altruist, I believe that actions ought to heighten the happiness of others in the world, and what happens to me is irrelevant. If I am an egoist, I believe that actions ought to heighten my happiness, and what happens to others is irrelevant.

Could someone like Blake Mycoskie — someone widely recognised as an altruistic, social-cause hero — actually be an egoist? Yes. Consider things this way. Here is a young guy and he is out looking for money, celebrity, good parties, and a jaw-dropping girlfriend. It would not be the first time there was a guy like that.

Put yourself in his shoes and imagine you are an ethical egoist: whatever is good for you is good. Your situation is pretty clear, your moral responsibility lists what you should be trying to get, and the only question is *how* can I get it all?

That is a tall order. Becoming a rock star would probably work, but there are a lot of people already out there going for it that way. The same goes for becoming a famous actor. Sports are another possibility; Mycoskie, in fact, made a run at pro tennis as a younger man, but like most who try, he could not break into the upper echelon. So there are paths that may work, but they are hard ones, it is a real fight for every step forward.

If you are smart — and Mycoskie obviously is — then you might look for a way to get what you want that does not force you to compete so brutally with so many others. Even better, maybe you will look for a way that does not present any competition at all, a brand new path to the wish list. The idea of a celebrity-driven shoe company that makes a profit but that also makes its founder a star in the eyes of the Hollywood stars is a pretty good strategy.

Obviously, no one can look deep into Mycoskie's mind and determine exactly what drove him to found his enterprise. He may be an altruist or an egoist or something else, but what is important is to outline how egoism can actually work in the world. It can work — though of course it does not work this way every time — just like TOMS Shoes.

Egoism and selfishness

When we hear the word **egoist**, an ugly profile typically comes to mind: self-centered, untrustworthy, pitiless, and callous with respect to others. Some egoists really are like that, but they do not *have* to be that way. If you are out to maximise your own happiness in the world, you might find that helping others is the shortest and fastest path to what you want. This is a very important point. Egoists are not against other people, they are for themselves, and if helping others

works for them, that is what they will do. The case of TOMS Shoes fits right here. The company improves the lives of many; it raises the level of happiness in the world. And because it does that, the organisation has had tremendous success, and because of that success, the Blake Mycoskie we are imagining as an egoist is getting what he wants: money, great parties, and everyone loving him. In short, sometimes the best way to one's own happiness is by helping others be happier.

That is not always the way it works. Bernie Madoff destroyed families, stole people's last dimes, and lived the high life all the way through. For an ethical egoist, the only blemish on his record is that he got caught.

Madoff *did* get caught, though, and this too needs to be factored into any consideration of egoists and how they relate to others. Just as egoists may help others because that serves their own interests, so too they may obey social customs and laws. It is only important to note that they obey not out of deference to others or because it is the morally right thing to do; they play by the rules because it is the smart thing to do. They do not want to end up rotting in jail.

A useful contrast can be drawn in this context between egoism and selfishness. Where egoism means putting your welfare above others', selfishness is the refusal to see beyond yourself. Selfishness is the inability (or unwillingness) to recognise that there are others sharing the world, so it is the selfish person, finally, who is callous and insensitive to the wants and needs of others. For egoists, on the other hand, because working with others cooperatively can be an excellent way to satisfy their own desires, they may not be at all selfish; they may be just the opposite.

Enlightened egoism, cause egoism, and the invisible hand

Enlightened egoism is *the conviction that benefitting others — acting to increase their happiness — can serve the egoist's self-interest just as much as the egoist's acts directly in favour of him or herself*. As opposed to altruism, which claims that it is our ethical responsibility to serve others, the enlightened egoist's generosity is a rational strategy, not a moral imperative. We do not help others because we ought to: we help them because it can make sense when, ultimately, we only want to help ourselves.

One simple and generic manifestation of enlightened egoism is a social contract. For example, I agree not to steal from you as long as you agree not to steal from me. It is not that I do not take your things because I believe stealing is morally wrong; I leave you alone because it is a good way to get you to leave me alone. On a less dramatic level, all of us form mini social contracts all the time. Just think of leading a group of people through one of those building exits that makes you cross two distinct banks of doors. If you are first out, you will hold the door for those coming after, but then expect someone to hold the next door for you. Sure, some people hold the door because it is good manners or something like that, but for most of us, if no one else ever held a door open for us, pretty soon we would stop doing them the favour. It is a trivial thing, of course, but in the real world people generally hold doors open for others because they have agreed to a social contract: everyone else does it for me; I will do it for them. That is enlightened egoism, and it frequently works pretty well.

TOMS Shoes can be understood as a more sophisticated version of the same mentality. It's hard to discern exactly what the contract would look like if someone tried to write it down, but it's not hard to see the larger notion of enlightened egoism. Shoes are donated to others not because of a moral obligation but because serving the interests of others helps Blake Mycoskie serve his own. As long as shoe buyers keep holding up their end of the bargain by buying his product, Mycoskie will continue to help them be generous and feel good about themselves by donating pairs to people who need them.

Cause egoism is similar to, but also distinct from, enlightened egoism. Enlightened egoism works from the idea that helping others is a good way of helping myself. Cause egoism *works from the idea that giving the appearance of helping others is a promising way to advance my own interests in business*. As opposed to the enlightened egoist who will admit that he is out for himself but happy to benefit others along the way, the cause egoist claims to be mainly or only interested in benefiting others and then leverages that good publicity to help himself. Stated slightly differently, enlightened egoists respect others while pursuing their own interests, while cause egoists just fake it.

Adam Smith (1723–90) is known for making a connected point on the level of broad economic trade and capitalism. In the end, it usually does not matter whether people actually care about the well-being of others, Smith maintains, because there exists an invisible hand at work in the marketplace. It leads individuals who are trying to get rich to enrich their society as well, and that enrichment happens regardless of whether serving the general welfare was part of the original plan. According to Smith, the person in business generally intends only his own gain, but is led by an invisible hand to promote an end which was no part of the original intention. By pursuing his own interest he frequently promotes that of the society, and does so *more effectively* than when he directly intends to promote it.

Smith, A (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, London: Strahan and Cadell, bk. 4, chap. 2.

What is the **invisible hand**? *It is the force of marketplace competition, which encourages or even requires individuals who want to make money to make the lives of others better in the process.*

The invisible hand is a central point defenders of egoism in business often make when talking about the virtues of a me-first ethics. Egoism is good for me, but it frequently ends up being good for everyone else, too. If that is right, then even those who believe the utilitarian ideal of the general welfare should guide business decisions may be forced to concede that we should all just become egoists.

Here is a quick example. If you open a little takeout pizza shack near campus and your idea is to clear the maximum amount of money possible to pay your tuition, what kind of business are you going to run? Does it make sense to take a customer's twelve dollars and then hand over an oily pie with cheap plastic cheese and only three pepperonis? No, in the name of pursuing your own happiness, you are going to try to charge a bit less than Domino's and give your customers something slightly

better — maybe you will spread richer cheese, or toss on a few extra pepperonis. Regardless, you are not doing this for the reason an altruist would; you are not doing it because you sense an ethical obligation to make others' lives better. As an egoist, you do not care whether your customers are happier or not. But if you want your business to grow, you better care. And because you are ethically required to help your business grow in order to make tuition money and so make yourself happier, you are going to end up improving the pizza-eating experience at your school. Better food, less money. Everyone wins. We are not talking Mother Teresa here, but if ethical goodness is defined as more happiness for more people, then the pizza place is ethically good. Further, *anybody* who wants to start up a successful pizza restaurant is, very likely, going to end up doing good. If you do not, if you cannot offer some advantage, then no one is going to buy your slices.

Going beyond the quality-of-life benefits of businesses in society, Smith leaned toward a second claim that is far more controversial. He wrote that the entrepreneur trying to do well actually *promotes society's well-being more effectively than when directly intending to promote it*. This is startling. In essence, it is the claim that for the most dedicated altruist the most effective strategy for life in business is...to act like an egoist. Within the economic world at least, the best way for someone who cares only about the well-being of others to implement that conviction is to go out and run a successful profit-making enterprise.

Clearly, this is a very powerful argument for defenders of ethical egoism. If it is true that egoists beat altruists at their own game (increasing the happiness of everyone else), then egoism wins the debate by default; we should all become egoists. Unfortunately, it is impossible to prove this claim one way or the other. One thing is clear, however: Smith's implicit criticism of do-gooders can be illustrated. Sometimes individuals who decide to act for the good of others (instead of seeking profit for themselves) really do end up making the world a worse place. Dr. Loretta Napoleoni has shown how attempts by Bono of U2 to help the destitute in Africa have actually brought them more misery.

Tran, C (2008) 'Celebrities raising funds for Africa end up making things 'worse,'" *Ground Report*, 14 May 2008 <http://www.groundreport.com/World/Celebrities-Raising-Funds-For-Africa-End-Up-Making/2861070> (Accessed 15 May 2011).

Bono threw a benefit concert and dedicated the proceeds to Africa's most needy. The intention was good, but the plan was not thought all the way through and the money ended up getting diverted to warlords who used it to buy guns and bullets. Still, the fact that some altruistic endeavors actually make things worse does not mean they are all doomed. Just as surely as some fail, others succeed.

The same mixed success can be attributed to businesses acting only for their own welfare, only for profit. If it is true that the pizza sellers help improve campus life, what about the entrepreneurial honour student who volunteers to write your term paper for a price? It is hard to see how a pay-for-grades scheme benefits students in general, even though the writer may make a tidy profit, and that one student who paid for the work may come out pretty well.

The invisible hand is the belief that businesses out in the world trying to do well for themselves tend to do good for others too. It may even be that they do more good than generous altruists. It is hard to know for sure, but it can be concluded that there is a distance between ethical egoism in reality and the image of the egoist as a ruthless destroyer of broad social happiness.

Some rules of egoism

Egoism, like altruism, is a consequentialist ethics: the ends justify the means. If an egoist were at the helm of TOMS Shoes and he cared only about meeting beautiful people and making huge money, he would have no scruples about lying all day long. There would be no problem with smiling and insisting that the reason TOMS Shoes exists is to generate charitable shoe donations to the poor. All that matters for the egoist is that the lie works, that it serves the goal of making TOMS as attractive and profitable as possible. If it does, then deviating from the truth becomes the ethically recommendable route to follow.

Personal egoism versus impersonal egoism distinguishes these two views: the **personal egoist** in *the business world does whatever is necessary to maximise his or her own happiness*. What others do, however, is considered their business. The **impersonal egoist** *believes everyone should get up in the morning and do what is best for themselves and without concern for the welfare of others*.

An impersonal egoist may find comfort in the invisible hand argument that the best way for me to do right with respect to society in general is to get rich. Of course it is true that there is something crude in shameless moneygrubbing, but when you look at things with rational eyes, it is hard to avoid noticing that the kinds of advances that make lives better — cars affordably produced on assembly lines; drugs from Lipitor to ChapStick; cell phones; spill-proof pens; whatever — often trace back to someone saying, “I want to make some money for myself.”

Rational egoism versus **psychological egoism** distinguishes two reasons for being an ethical egoist. The **rational** version *stands on the idea that egoism makes sense. In the world as it is, and given a choice between the many ethical orientations available, egoism is the most reasonable*. The **psychological egoist** *believes that, for each of us, putting our own interests in front of everyone else is not a choice; it is a reality. We are made that way*. Maybe it is something written into our genes or it is part of the way our minds are wired, but regardless, according to the psychological egoist, we all care about ourselves before anyone else and at their expense if necessary.

Why would I rationally choose to be an egoist? Maybe because I figure that if I do not look out for myself, no one will. Or maybe I think almost everyone else is that way, too, so I better play along or I am going to get played. (The Mexicans have a pithy phrase of common wisdom for this, “O te chingas, o te chingan,” which means “either you screw everyone else, or they will screw you.”) Maybe I believe that doing well for myself helps me do good for others too. The list could be drawn out, but the point is that there are numerous reasons why an intelligent person may accept ethical egoism as the way to go.

As for those who subscribe to the theory of psychological egoism, obviously there is no end of examples in business and history to support the idea that no matter how much we may want things to be otherwise, the plain truth is we are made to look out for number one. On the other hand, one problem for psychological egoists is that there do seem to be examples of people doing things that are irreconcilable with the idea that we are all only trying to make ourselves happier:

- Parents sacrificing for children. Any mom or dad who works overtime at some grinding job for cash to pay their children's college tuition seems to be breaking the me-first rule. Here, the psychological egoist responds that, when you really think about it, there may be something there for the parents after all: it could be the pride in telling friends that their children are getting their degrees.
- Mother Teresa or similar religious-based advocates for the needy. Anyone spending their time and energy making things better for others, while living painfully modestly, seems like a good candidate to break the rule of psychological egoism. Here, the psychological egoist responds that perhaps they see a different reward for themselves than earthly pleasures. They may believe, for example, that their suffering on this earth will be more than compensated by paradise in heaven.

The four relations between egoism and business

Structurally, there are four possible relations between ethical egoism and business life:

1. You can have egoists in egoist organisations. This is mercenary capitalism. Individuals do whatever work is required so long as it benefits them to the maximum. Naturally, this kind of person might find a good home at a company entirely dedicated to maximising its own health and success, which can mean one looking to maximise profits without other considerations. A good example is executives at the Countrywide mortgage firm. They OK'ed thousands of mortgages to clients who had no way to repay the money. Then they bundled and sold these mortgages to banks and other financial institutions, making a quick profit. When the loans later collapsed, those institutions fell into bankruptcy. The Countrywide executives quickly formed a new company to buy those same loans back at pennies on the dollar, thus once again turning millions in profits.

Lipton, E (2009) 'Ex-leaders of countrywide profit from bad loans,' New York Times, 3rd March <http://www.nytimes.com/2009/03/04/business/04penny.html> (Accessed 15 May 2011).

2. You can have egoists in non-egoist organisations. Possibly, the CEO of the College Board fits into this category. His salary of just under a million dollars annually sounds pretty good, especially when you consider that he gets it working for a nonprofit company that exists to help high school

students find the college best fitted to them. It's also possible that Blake Mycoskie of TOMS Shoes fits this profile: he lives an extremely enviable life in the middle of a company set up to help people who almost no one envies.

3. You can have non-egoists in egoist organisations. Somewhere in the Countrywide mortgage company we could surely find someone who purchased shoes from TOMS because they wanted to participate in the project of helping the rural poor in Argentina.
4. You can have non-egoists in non-egoist organisations. Think of the red kettle bell ringers popping up outside malls around the holiday season.

Advocating and challenging ethical egoism

The arguments for an egoistic ethics include the following:

1. **Clarity and simplicity.** Everybody understands what it means to look out for themselves first.
2. **Practicality.** Many ethical theories claim to protect our individual interests, but each of us knows ourselves and our own interests best. So does it not make sense that we as individuals take the lead? Further, with respect to creating happiness for ourselves, there is no one closer to the action than us. So, again, does it not make sense that each of us should be assigned that responsibility?
3. **Sincerity.** For those subscribing to psychological egoism, there is a certain amount of honesty in this ethics not found in others. If our real motive beneath everything else is to provide for our own happiness first, then should we not just recognise and say that? It's better to be sincere and admit that the reason we do not steal is so that others do not steal from us instead of inventing some other explanations which sound nice but are ultimately bogus.
4. **Unintended consequences.** In the business world, the concept of the invisible hand allows egoists to claim that their actions end up actually helping others and may help them more than direct charity or similar altruistic actions.
5. Finally, there's a broad argument in favour of egoism that concerns **dignity.** If you are out in the world being altruistic, it is natural to assume that those benefiting from your generosity will be grateful. Sometimes they are not, though. Sometimes the people we try to help repay us with spite and resentment. They do because there is something condescending about helping others; there is a message wrapped up in the aid that those

who receive it are incapable of taking care of themselves and need someone superior to look out for them. This is especially palpable in the case of panhandlers. If you drop a dollar into their hat, it is hard to not also send along the accusation that their existence is base and shameful (you refuse to look them in the eye; you drop the money and hurry away). To the extent that is right, an egoism that expects people to look out for themselves and spurns charity may actually be the best way to demonstrate respect for others and to acknowledge their dignity.

Arguments against ethical egoism include the following:

1. **Egoism is not ethics.** The reason we have ethics is because there are so many people in the world and in business who care only about themselves. The entire idea of ethics, the reasoning goes, is to set up some rules for acting that rescue us from a cruel reality where everyone is just looking out for number one.
2. **Egoism ignores blatant wrongs.** Stealing candy from a baby — or running a company selling crappy baby food — strikes most of us as unacceptable, but the rules of egoism dictate that those are recommendable actions as long as you can be assured that they will serve your interests.
3. **Psychological egoism is not true.** The idea that we have no choice but to pursue our own welfare before anything else is demonstrated to be false millions of times every day; it is wrong every time someone makes an anonymous contribution to a cause or goes out of their way to help another without expecting anything in return.



Activity 1.9

1. What is the difference between egoism and selfishness?
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Summary

Consequentialism is an approach to ethics that argues that the morality of an action is contingent on the action's outcome or consequence. Thus, a morally right action is one that produces a good outcome or result, and the consequences of an action or rule generally outweigh all other considerations (i.e., the ends justify the means). The consequentialist theories we have covered includes:

1. Utilitarianism: The greatest happiness principle. Actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness.
2. Altruism: the selflessness principle or also called the practice of concern for the welfare of others.
3. Egoist: theory that one's self is, or should be, the motivation and the goal of one's own action..



Self-test 1.3

1. What's an example from today's world of a utilitarian monster?
2. If you were starting a small business, would you prefer that your partner is a utilitarian, an altruist, or an egoist? Why?

Suggested answers to activities



Feedback

Activity 1.7

1. In order to answer this question, the utilitarian would need to know many specific facts about the particular test we have in mind, including whether or not you will need to know the material later on, what your chances are of getting caught cheating, what grade you would probably get if you did not cheat, what grade you would probably get if you did cheat, and how happy these respective grades would make you and everybody else, in the short and long term. Only then would the utilitarian be able to tell you whether or not you should cheat on the exam.

Activity 1.8

1. In altruism, an action is morally right if the action's consequences are more beneficial than unfavourable to everyone except the person who acts. This means that the person's interests are not considered: the altruist does whatever can be done so that others will be happier.

2. Some other motives that may lead someone to live the life of an altruist include:
 - a. Biological reasons — We may be more altruistic towards those we are related to because it increases the odds that our blood relations will survive and transmit their genes to future generations.

 - b. Neurological reasons — Altruism activates reward centers in the brain. Neurobiologists have found that when engaged in an altruistic act, the pleasure centers of the brain become active.

 - c. Social norms — Society's rules, norms, and expectations can also influence whether or not people engage in altruistic behaviour. The norm of reciprocity, for example, is a social expectation in which we feel pressured to help others if they have already done something for us.

 - d. Cognitive reasons — we might help others to relieve our own distress or because being kind to others upholds our view of ourselves as kind, empathetic people. Experts proposed that seeing another person in trouble causes us to feel upset, distressed, or uncomfortable, so helping the person in trouble helps reduce these negative feelings.

Activity 1.9

1. Both natures are not wise for a human being but yes for some extent selfish is better than egoistic. A selfish person can go to any extent to get benefits or make the things own whereas the egoistic person first serves for his/her ego and will not respect to others and always hurt others. A selfish person can be good at various other things for which he/she can be praised but how good may be an egoistic person, people will not admire him/her.
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1.4 Theories Responding to the Challenge of Cultural Relativism

Objectives

By the end of this section, you should be able to:

1. Define cultural relativism and its defiance towards traditional ethics.
2. Define Nietzsche's eternal return of the same, its advantages and disadvantages.
3. Define cultural ethics and its functions in the business world.
4. Examine the truth of cultural ethics, its advantages and disadvantages.
5. Define virtue ethics and its functions in business.
6. Discuss how virtue is acquired, its advantages and drawbacks.
7. Define discourse ethics, its advantages and disadvantages.
8. Define the ethics of care, its advantages and drawbacks.

Introduction

This section examines some theories guiding ethical decisions in business. It considers reactions to the possibility that there are no universal definitions of right and wrong, only different customs that change from one society to another.

Nietzsche and the end of traditional ethics

“God is dead,” the declaration attributed to Friedrich Nietzsche, stands along with “I think, therefore I am” (René Descartes, 1641) as philosophy's most popularised — and parodied — phrases. The t-shirt proclaiming “Nietzsche is dead, signed, God” is funny, but it does not quite answer what Nietzsche was saying in the late 1800s. What Nietzsche meant to launch was not only an assault on a certain religion but also a suspicion of the idea that there is one source of final justice for all reality. *Nietzsche proposed that different cultures and people each produce their own moral recommendations and prohibitions, and there is no way to indisputably prove that one set is simply and universally preferable to another.* The suspicion that there is no final appeal — and therefore the values and morality practiced by a community cannot be dismissed as wrong or inferior to those practiced elsewhere — is called **cultural relativism**.

Example:

For most of us, the killing of a newborn would be among the most heinous of immoral acts; a perpetrator would need to be purely evil or completely mad. The Inuit Eskimos, however, regularly practiced female infanticide during their prehistory, and it was neither evil nor insane. Their brutal living conditions required a population imbalance tipped toward hunters (males). Without that gender selecting, the plain fact was the entire group faced starvation. At another place and time, Bernal Diaz's *The Conquest of New Spain* recounts the Spanish invasion of the Americas and includes multiple reports of newborns sacrificed in bloody ceremonies that made perfect sense to the locals, but left Spaniards astonished and appalled. The ethics of infanticide, the point is, differ from one culture and time to another. Further, these differences seem irreconcilable: it is extremely difficult to see how we could convince the Inuit of the past to adopt our morality or how they could convince us to adopt theirs. And if that is right, then maybe it no longer makes sense to talk about right and wrong in general terms as though there is a set of rules applying to everyone; instead, there are only rights and wrongs as defined within a specific society.

Finally, if you accept the cultural relativist premise, then you are rejecting the foundation of traditional ethics. You are rejecting the idea that if we think carefully and expertly enough, we will be able to formulate rules for action that everyone — people in all times, places, and communities — must obey if they want to consider themselves ethically responsible.

Cultural relativism in business ethics

In the world of international business, Entrepreneur magazine introduces the pitfalls of ethical variation across cultures with this statement from Steve Veltkamp, president of Biz\$hop, an American import-export business: "Bribery is a common way of doing business in a lot of foreign places."

Allen, M (2000) 'Here comes the bribe,' *Entrepreneur*, October <http://www.entrepreneur.com/magazine/entrepreneur/2000/october/32636.html> (Accessed 12 May 2011).

If that is true, then US businesses trying to expand into markets abroad — and competing with local businesses already established there — are probably going to consider doing what everyone else is doing, which means getting in on the bribery action. As the Entrepreneur article points out, however, this leads to a problem: "While bribes are expected in many countries, the United States' 1977 Foreign Corrupt Practices Act prohibits payments made with the aim of gaining or maintaining business."

So American hands are tied. If a construction company is bidding on the contract to build an airport in a foreign nation, one where the local politicians will be expecting to get their palms greased, they are at a distinct disadvantage since they are not allowed to play by the local rules. Still there is (as there almost always

is) a loophole: “Not all payments are prohibited by the act. Some payments are acceptable if they do not violate local laws. Gifts, for instance, to officers working for foreign corporations are legal.”

There is no bribing, but gifting, apparently, gets a green light. There is a problem here, too, however: “It can be difficult to determine the difference between a gift and a bribe in a given situation. ‘If you give a gift to someone and it leads to a business deal, is that a bribe or a gift?’ asks Veltkamp. ‘In some cultures, gift-giving is an entrenched part of doing business. If you look at it in a certain sense, maybe it’s a bribe, since they won’t talk to you until you’ve made that gesture.’”

Now what? Over there, cash changes hands and it is called an acceptable gift, while those watching from back here see an illegal bribe.

There are two ways of looking at this dilemma. One is to say, well, this has to be one or the other, either a gift or a bribe; it has to be either moral or immoral. Given that, we need to take out our traditional tools — our basic duties, the utilitarian doctrine that we should act to serve the greater good, and so on — and figure out which it is. Nietzsche went the other way, though. He said that situations like this do not show that we need to use ethics to figure out which side is right; instead, the situation shows what moral rules really are: just a set of opinions that a group of people share and nothing more. In the United States we believe it is wrong to grease palms, and so it is. In some other places they believe it is honorable to hand money under the table, and so it is.

If that is true, then specific convictions of right and wrong in business ethics will never be anything but cultural fashions, beliefs some community somewhere decides to hold up for a while until they decide to believe something else. *Anything, the reasoning goes, may be morally good or bad in the economic world; it just depends on where you happen to be, at what time, and who else is around.*



Activity 1.10

1. Why do you imagine the term cultural relativism was chosen to mean what it does?

Nietzsche’s eternal return of the same: Responding to cultural relativism by leaving common morality behind

If, along *with cultural relativists*, you accept that *rules distinguishing right from wrong shift around from place to place and time to time*, it becomes difficult to keep faith in *morality*. It is difficult because verdicts seem flimsy and impermanent, and because this hard question seems inescapable: Why should I go out of my way to do the right thing today if what counts as the right thing might change tomorrow?

One response to the question is to give up on morality, disrespect the whole idea by labeling all the customary regulations — don't lie, don't steal, strive for the greatest good for the greatest number — a giant sham. Then you can live without the inhibiting limits of moral codes. You can go beyond any idea of good and evil and lead an unconstrained life exuberantly celebrating everything you want to do and be.

Wallace Souza: TV Reporter, Politician, and Dealer

Some careers are more vivid and alive than others. TV crime reporting is intense work, especially the action-type shows where the reporter races to the scene, interviews witnesses, and tracks down shady characters. Politics is another throbbing life; the adrenalin of crime chasing isn't there, but you get the brimming confidence and energy that comes with power, with deciding what others can and can't do. Drug dealing excites too, in its way, with thrilling danger and the pleasures of fast money. People, finally, who want to live exuberantly, who prefer risk to caution and find it easy to say things like "you only go around once" are probably going to find something attractive in these lines of work and may opt for one or another.

Then there's Wallace Souza. He opted for all three. At the same time. The most visible of his roles — TV reporter — also yielded the most visible success. His program aired from the Brazilian state of Amazonas, a jungley place far from cosmopolitan São Paulo and touristy Rio de Janeiro. Known as a haven for cocaine cartels, and as a training ground for revolutionary militants charging into neighboring Columbia and Venezuela, it's a natural spot to bring cameras and look for dramatic action. A number of reporters were stationed in the region, but none seemed so uncannily skilled at reaching scenes first and getting video over the airwaves than Mr. Souza. In fact, on occasion, he even reached scenes before the police.

The dogged TV reporting, along with Souza's editorializing complaints about the region's jaded criminals, made him a popular hero and sealed his bid for a seat in the local congress. He didn't allow his state capital work to interfere with his TV role, however. Actually, the two jobs fit together well: one day he was reporting on the deplorable free-for-all in the jungle and the next he was in the capital meeting with high-ranking police officers, reviewing their strategies and proposing laws to fix things.

The perfect image began to crack, though, when it was revealed that the reason Souza so frequently reached the best crime scenes first is that he was paying hit men to assassinate local drug dealers. He wasn't, it turned out, just the first to know about the crimes, he knew even before they happened. In an especially brazen move, during one of his last TV programs, he put up pictures of several notorious criminals and asked his viewers to phone in and vote on which one they'd like to see killed.

At this point, Souza seemed like an overzealous crusader: he was drawing vivid attention to the crime plague and doing something about it with his hit men. You could doubt his methods, but his dedication to his community's welfare seemed noble — until it was revealed that he was actually also a major drug dealer. And the criminals getting killed and shown on his program weren't just random outlaws; they were Souza's drug-trade competitors.

Phillips, D (2009) 'Brazil crime show host 'used murder to boost ratings,'"Times, 13 August, http://www.timesonline.co.uk/tol/news/world/us_and_americas/article6793072.ece (Accessed 12 May 2011).

What is the eternal return of the same?

One report on Souza's exploits included the suggestion that his willingness to cross every moral line — to lie, traffic drugs, order killings, whatever — fit him for the title of the Antichrist.

Gallagher, D (2009) 'Brazilian crime show host kills for ratings?,' *TV Squad*, 14 August <http://www.tvsquad.com/2009/08/14/brazilian-crime-show-host-kills-for-ratings> (Accessed 12 May 2011).

That title, as it turns out, was one Nietzsche enjoyed assigning to himself. It is definitely also a fit for Souza in the sense that he seemed to live without shame, fear, or regard for good and evil. What's notable about Souza's business ventures is that they pay no heed to the very idea of morals. It is not that they skirt some rules or follow some guidelines while disobeying others; it is not like he is trying to get away with something — it is much more like morality does not exist. Now, bringing this back to Nietzsche, who shared the sentiments, *the question Nietzsche asked himself was, if morality really is canceled, then what? How should we live? The answer was a thought experiment called the eternal return of the same.*

Imagine, Nietzsche proposed, that every decision you make and everything you feel, say, and do will have to be repeated forever — that is, at the end of your life, you die and are immediately reborn right back in the same year and place where everything started the time before, and you do it all again in exactly the same way. Existence becomes an infinite loop. With that disturbing idea established, Nietzsche converted it into a proposal for life: we should always act as though the eternal return were real. Do, Nietzsche says, what you would if you had to live with the choice over and over again forever. The eternal return, finally, gives us a reason to do one thing and not another: it guides us in a world without morals.

How does the eternal return work?

Start with the eternal return as it could be applied to an altruist, to someone dedicating life to helping others. One way to do altruism would be by working for a non-profit international organisation that goes to poverty-wrecked places like Amazonas and helps coca farmers (the coca leaf is the base for cocaine) shift their farms to less socially damaging crops. This would be difficult work. You might figure on doing it though, getting through it, and feeling like you have done some good in the world. But would you do it infinitely? Would you be willing to suffer through that existence once and again forever? Remember, the world would never get better; every time you would just go back to being born on earth just the way it was before. Obviously, people can make their own decisions, but it seems fairly likely that under the condition of the eternal return there would be fewer people dedicating themselves — and sacrificing their own comfort and interests — to social well-being.

What about some other lines of work? Would there be fewer snowplow operators, long-haul pilots, teachers willing to work in troubled schools? What kind of professional lives, Nietzsche forces us to ask, would be too hellish, bothersome, or exhausting to be repeated forever? Those lives, whatever they are, get filtered by the eternal return; they get removed from consideration.

If certain careers and aspirations are out, then what is in? What kind of existence in the economic world does the eternal return recommend? One possibility is Wallace Souza. The question is, why would his career trajectory fit the eternal return?

The job of a reporter is fast and dramatic, the kind of thing many imagine themselves doing if they were not tied down by other commitments. People with children frequently feel an obligation to get into a safe and conservative line of work, one producing a steady paycheck. Others feel a responsibility toward their aged parents and a corresponding obligation to not stray too far just in case something goes wrong. So trekking off into the Brazilian jungle in search of drug operations may well be exciting — most of us would probably concede that — but it would be irreconcilable with many family responsibilities. One thing the eternal return does, however, is seriously increase the burden of those responsibilities. When you sacrifice something you want to do because of a sense of obligation, you may be able to swallow the loss once, but Nietzsche is demanding that you take it down over and over again. Family responsibilities may count, but at what point do you say “enough”? Can anyone oblige you to sacrifice doing what you really want forever?

Taking the next step into Souza’s amoral but dramatic career, assuming you do decide to become a crime reporter, and you are inside the eternal return where everything will recur infinitely, then are you not going to go about making your reporting work as exciting and successful as possible? Probably, yes. So why not hire some hit men to fire things up a bit? Normally, of course, our moral compass tells us that killing others to get ahead is not really an option. But with all morality canceled, it becomes an option, one just like any other. Be a banker, be a reporter, be a killer, there is no real difference. Just choose the one you would most like to do repeatedly without end. Souza also chose to be a drug dealer. Again, this is one of those jobs many would find exciting and satisfying. Thrills and easy money are attractive; that is part of the reason Hollywood produces so many films about traffickers and their lives. Most of us would not actually do something like that, though, at least partially because dealing drugs feels morally wrong. But inside the eternal return, that shame factor falls away; when it does, the number of people entering this field of work might well increase.

It is critical to note that Nietzsche’s eternal return is not the idea that you should go off and be a crime-reporting, hit man-hiring drug dealer. Instead, Souza’s life just exemplifies one thing that could happen in the world of your career if you accept Nietzsche’s proposal of living beyond any traditional moral limit. Regardless, *what the eternal return definitely does do is force you to make decisions about your professional life in very different terms than those presented by traditional ethical theories. There’s no consideration of sweeping duties; there’s just you and a simple decision: the life you choose now will be repeated forever, so which will yours be?*

What is the reward of morality?

One of the strengths of Nietzsche's idea is that it forces a very important question: Why should I want to be morally responsible? Why should a salesman be honest when lying could win her a healthy commission? Why should a factory owner worry about pollution spewing from his plant when he lives in a city five hundred miles away? Now, a full elaboration of this question would be handled in an airy philosophy class, not an applied course in business ethics. Nietzsche, however, allows a taste of the discussion by puncturing one of the basic motivations many feel for being virtuous: the conviction that *there will be a reward later for doing the right thing today*.

The certainty of this reward is a critical element of many religious beliefs: when you die, there will be a final judgement and you will enjoy heaven or suffer punishment at the other extreme, depending on how you behaved on earth. A similar logic underwrites Hinduism's concept of reincarnation: the life you are born into next will be determined by the way you live now. This discussion could be drawn out in more directions, but no matter what, Nietzsche spoils the idea that you take the moral high road because you will be repaid for it later. Within the eternal return, there is no later; all that ever happens is exactly the same thing again.

Advantages and a drawback of the eternal return

One advantage of the eternal return is that *it adds gravity to life*. Forcing you to accept every decision you make as one you will repeat forever is compelling you to take those decisions seriously, to think them through. Another connected advantage of the eternal return is that *it forces you to make your own decisions*. By getting rid of all guidelines proposed by ethics, and by making your reality the one that will repeat forever, Nietzsche forces you to be who you are.

The disadvantage of the eternal return is Wallace Souza. *If everyone is just out there being themselves, how are we going to live together? How can we make peaceful and harmonious societies when all anyone ever thinks about is what's best for themselves forever?*



Activity 1.11

1. In your own words, what is the eternal return?
2. Why might the eternal return be considered a reasonable response to cultural relativism?

Cultural ethics

What is cultural ethics?

Culturalists embrace the idea that moral doctrines are just the rules a community believes, and they accept that there's no way to prove one society's values better than another. Culturalists do not, however, follow Nietzsche in taking that as a reason to turn away from all traditional moral regulation; instead, it is a reason to accept and endorse whichever guidelines are currently in effect wherever you happen to be. The old adage, "when in Rome, do as the Romans do," is not too far from where we are at here.

Gift or bribe or both?

The *Entrepreneur* magazine article posed a problem for Americans going overseas to do business. In some places, passing money under the table is necessary to spark negotiations and win contracts. However, bribery is illegal in the United States, and US law makes it illegal for Americans to do that kind of thing abroad. Gifts, on the other hand, are allowed. But, according to the *Entrepreneur* article, it can be difficult to determine the difference between a gift and a bribe. In some cultures, a gesture may be seen as a gift, and in others it looks like a bribe.

Looking at this uncertainty, what a culturalist sees is *not* ambiguity about whether handing the money over to a potential client is a legal gift or an illegal bribe. That is not it at all. A culturalist sees it as both a gift and a bribe. In one culture — a nation overseas where the payment is occurring and where similar payments always occur when business is getting done — there are no moral qualms. It is right to give a cash gift because that is the rule of the country; it is the way things are commonly and properly done there. By contrast, from the perspective of American business culture, the conclusion that is drawn with equal force is that it is an immoral bribe because that is what US customs and normal practices tell us.

Cultural ethics and international bribery

Culturalists see moral rules as fixed onto specific societies, but that does not help anyone know what to do when confronted with an unfamiliar set of beliefs. How, the really important question is, does a culturalist act when forced to make decisions in a place and among people whose beliefs are different and unfamiliar? The *Entrepreneur* interview with Steve Veltkamp provides one answer.

What can you do if your overseas associate demands a bribe? Veltkamp does not recommend asking embassies or consulates for assistance, as "they have to stick to the official line." Instead, he believes "the best resource in almost every country of the world is the U.S. Chamber of Commerce, where you can find Americans who live in the country and understand how things are done."

Allen, M (2000) 'Here comes the bribe,' *Entrepreneur*, October <http://www.entrepreneur.com/magazine/entrepreneur/2000/october/32636.html> (Accessed 12 May 2011).

Immediately you can see how different the culturalist approach is to moral dilemmas. The message is: get in touch with the locals and try to do as they would in the same situation.

Most traditional ethical theories go in exactly the opposite direction. They say that it does not necessarily matter what people are actually doing. Stronger, the entire point of studying ethics has normally been to escape conventional wisdom and ingrained habits; the idea of doing what we ought to do requires a step away from those things and a cold, rational look at the situation. So, a morality based on duties sets up guidelines including don't lie, don't steal and appeals to men and women in business to follow them. Acting in an ethically responsible way in the world means obeying the dictates and refusing to be swayed by what the guy in the next cubicle is up to. Handing someone money under the table, consequently, while publicly insisting that everything is on the up and up cannot be condoned no matter what anyone else does; it cannot be right because it entails at least implicit lying.

More specifically for the culturalist, *Entrepreneur* advises overseas business people to avoid seeking guidance from embassies or consulates because those people have to stick to "the official line." What is the official line? Presumably, it is the set of practices delineated and approved by the State Department back in Washington, DC. The strength of these practices is that they are formed to be universal, to work at every embassy everywhere in the world. A culturalist, however, looks at that and says it is silly. There are no practices that work everywhere in the world. The advice government bureaucrats give is worthless; it is less than worthless because it departs from the error of conceiving ethics as a set of rules fitting a transnational reality. What people in business should actually do is get in contact with people who really know something about ethics, and that requires turning to the locals, including the chamber of commerce, because they are on the scene.

Conclusion

The culturalist deals with the question about whether a bribe is ethically respectable by ignoring all dictates received from other places and obeying the customs and standard practices of those who live and work where the decision is being made.

Cultural ethics and the news reporting of Wallace Souza

Another example of how culturalist ethics works comes from the flamboyant TV reporter Wallace Souza. Like many action crime reporters the world over, he raced to violent scenes hoping to get the first and best video. What counts, however, as good video in Brazil is different from what typically gets shown in the United States. Here is a description of what Souza sent over the airwaves: "In one of Mr. Souza's shows on his Canal Livre programme, a reporter approached a still-

smouldering body in a forest. 'It smells like a barbecue,' he says. 'It is a man. It has the smell of burning meat. The impression is that it was in the early hours...it was an execution.'

Phillips, D (2009) 'Brazil crime show host 'used murder to boost ratings,'" *Times*, 13 August http://www.timesonline.co.uk/tol/news/world/us_and_americas/article6793072.ece (Accessed 12 May 2011).

This is not the kind of report we see in the US media, and one of the differences is the ethics. Typically in the United States, a certain respect is accorded to the deceased, even if they are criminals. It is considered an exploitation to directly *show* dead bodies, especially smoldering ones. There is quite a bit of cultural analysis that would go into this prohibition, but simplifying, it is not just that reporters hold an ethical responsibility to others to not exploit their deaths graphically; they also have a responsibility to viewers to not show images that may be (or probably would be) disturbing. By contrast, and as the Souza report shows, in Brazil the rules are different and this kind of visual makes it over the airwaves without raising eyebrows or triggering moral objections.

More generally, the question about what you are allowed to show on TV to boost the ratings and so make more money is an extremely rich area of examples for cultural ethics. How graphic is the violence allowed to be on *CSI Miami*? How far is the wardrobe malfunction allowed to go on the *Real Housewives of Orange County*? These kinds of basic questions about decency and ratings (which means advertising revenue) seem tailor made for those who believe the answers do not depend on anything more than what people in a certain culture will accept. They seem cut out for those believing that the value we call decency is nothing more (or less) than the line drawn between the number of people who will watch and the number who turn the TV off in disgust.

Is culturalist ethics true?

If it is true that there is no ethics but the kind a culturalist proposes, then this book loses a good deal of its usefulness. It is lost because the main object is to help readers form and justify rules to guide their professional lives. Conceding that the culturalists are right, however, is also admitting that there is no reason to carefully analyse problems: you are far better served just checking around to see what most other people are doing in similar situations. Ethics is not a test of your ability to think reasonably and independently; it is more a responsibility to follow the crowd.

Culturalism is not true, however, at least not necessarily. You can see that in the reasoning underneath the cultural approach. The reasoning starts with an observation: In certain societies, handing money under the table is commonly considered an appropriate, ethically respectable part of business activity, and in others it is considered both illegal and unethical.

Conclusion

Right and wrong in the business world is nothing more than what is commonly considered right and wrong in a specific community.

On the surface, this argument looks all right, but thinking it through carefully leads to the conclusion that it is not valid. A valid argument is one where the conclusion necessarily follows from the premises. For example, if you start from the definition that all unmarried men are bachelors, and then you observe that your friend John is an unmarried man, you can, in fact, conclude that he is a bachelor. You must conclude that. But that is not the situation with the culturalist argument because the conclusion does not necessarily follow from the premise. Just because no broad international agreement has been reached about what counts as bribery does not mean no agreement will ever be reached. Or making the same point more generally, just because no transcultural theory based on universal reason has yet to conquer all local beliefs and habits everywhere on the globe does not mean no such theory will ever accomplish that goal.

Taking the same situation in the less ambiguous world of the physical sciences, there was a time when some believed the earth centered the sun and planets, while others believed the sun was at the center, but that did not mean the dispute would linger forever. Eventually, tools were found to convince everyone that one side was right. So too in business ethics: one day an enterprising ethicist may find a way to indisputably prove on the grounds of a universal and reasonable argument that greasing palms is a bribe and not a gift, and it is immoral, not moral. We do not know if that will happen, but it might. Consequently, the fact that we are unsure now as to whether any single ethics can deal with the whole world does not require shooting to the other extreme and saying there will never be anything but what people in specific nations believe and that is it. The *culturalist argument*, in other words, *is not necessarily persuasive*.

It is worrisome, though. And until someone can find a way to do for ethics what scientists did for the question about the earth's relation to the planets, there will always be individuals who suspect that no such proof will ever come. Count Nietzsche among them. In the field of contemporary philosophy and ethics, those who share the suspicion — those who doubt that no matter how hard we try we'll never be able to get beyond our basic cultural perspectives and disagreements — belong to a movement named postmodernism.

What are some advantages and drawbacks of culturalist ethics?

One general **advantage** of a culturalist ethics is that *it allows people to be respectful of others and their culture*. A deep component of any society's existence, uniqueness, and dignity in the world is its signature moral beliefs, what the people find right and wrong. A culturalist *takes that identity seriously and makes no attempt to change or interfere*. More, a culturalist *explicitly acknowledges that there is no way to compare one culture against another as better and worse*. Though you can describe differences, you can't say one set of moral truths is better than another because all moral truths are nothing more than what a society chooses to believe.

A more specific advantage of a culturalist ethics in the economic and business world is that it *adapts well to contemporary reality*. Over the last decades we have seen an explosion of international commerce, of large corporations tearing loose from specific nations and functioning globally. This economic surge has outpaced the corresponding understanding surge: we have no trouble switching dollars for euros or for yen, and we can buy Heineken beer from Germany and ride in a Honda made in Japan, but few of us speak English, German, and Japanese. In that kind of situation, one where some dilemmas in business ethics end up involving people we cannot really talk to, culturalism provides a reasonable way to manage uncertainties. When we are in the United States, we follow American customs. If we are sent on an overseas trade venture to Germany or Japan, we pretty much do as they normally do there. Just in practical terms, that may well be the easiest way to work and succeed in the world, and a culturalist ethics allows a coherent justification for the strategy.

The disadvantages

The major disadvantage of a culturalist ethics is that *it does not leave any clear path to making things better*. If a community's recommended ethical compass is just their customs and normal practices, then it is difficult to see how certain ingrained habits — say business bribery — can be picked up, examined, and then rejected as unethical. In fact, there is no reason why bribery should be examined at all. Since moral right and wrong is just what the locals do, it makes no sense to try to change anything.

This view stands in stark contrast with what we usually believe — or at least would like to believe — about ethics: there can be progress; we can become *better*. In science, we know progress occurs all the time. Our collective knowledge about the sun's position relative to the planets went from wrong to right with time and effort, and we would like the same to happen for moral uncertainties. That is why it is so easy to imagine that bribery is a dirty, third-world practice, and part of our responsibility as a wealthy and developed nation is to lead the way in cleaning it up. We clean the moral world of bad business ethics just like our scientists rid the physical world of misperceptions. More, that is a central aim of America's antibribery legislation as it applies to overseas acts: it is to cure other cultures of their bad habits. If you are a culturalist, however, then the bad habit is not bribery; it is one nation trying to impose a morality on another.

However you may come down on the question about whether nations should be trying to improve ethical customs in other places, what is inescapable is that if you are a culturalist, you do not have any ground to stand on when it comes to criticising the moral practices of businessmen and women in foreign countries. You do not because what is going on elsewhere is an independent and legitimate ethical system and cannot be judged inferior to our own.

Another problem with a culturalist ethics is that *it provides few routes to resolving conflicts within a society*. For example, should I be allowed to go into business for myself on the land I bought in the middle of a residential neighbourhood by opening

a motorcycle bar? In Houston, the answer is yes. There is a community consensus there that owning a piece of land allows you to do (almost) whatever you want with it. In legal terms, that translates into Houston being the only major American city without zoning regulations. Up the road in Dallas, however, there is a similar community consensus that the rights of landownership are curtailed by the rights of nearby landowners. The result is strict zoning laws likely prohibiting Harley conventions in the middle of family neighborhoods. At this point, a culturalist has no problem; people in Houston have their codes of right and wrong and people in Dallas have theirs. What happens, though, in Austin, Texas, which is about midway between Houston and Dallas? What if about half the population believes in landowner rights at all costs and the other half goes for a more community-oriented approach? A cultural ethics provides few tools for resolving the dispute beyond sitting and waiting for one side or the other to take control of the town. This means ethics is not helping us solve disagreements; it only arrives when, really, it is no longer needed.



Activity 1.12

1. You go abroad to win a contract and discover that a cash gift is necessary, so you hand it over and win the business. On returning to the United States, you put the \$200 gift on your expense report. The boss is infuriated, calls your act an “unethical, wrongheaded bribe” and says she will not reimburse you the \$200. What arguments could you use to convince her that you did the right thing and should be reimbursed?

Virtue theory – What is virtue ethics?

Contemporary **virtue ethics** is an updated version of a theory first proposed in ancient Greece. Today’s proponents acknowledge that it is very difficult to set up a list of moral rules that are going to solve ethical dilemmas across cultural lines. Typically, they do not go quite so far as the culturalists; they do not believe that basic regulations of right and wrong are completely independent from one community to another. In practical terms, however, there is agreement that the world is too diverse and changing to be controlled by lists of recommendations and prohibitions. So proponents of virtue suggest that we change the focus of our moral investigations. Instead of trying to form specific rules for everyone to follow — *do not bribe, do not exploit the deceased on TV* — they propose that we build virtuous character. *The idea is that people who are good will do the good and right thing, regardless of the circumstances: whether they are at home or abroad, whether they are trying to win new clients or making a decision about what kind of images are appropriate for public TV.*

In a vague sense, we all know what it means to have a virtuous character; we all know people who can be counted upon to do the right thing. Think of a business situation where true character shines through. A local TV station has seen advertising revenue plummet and layoffs have to be made. Who should go? Should Jim get to stay because his wife just had their first child? Should Jane get to stay because she is fifty-seven and probably will not be able to find another job? Should John — who is a tireless worker and the station's best film editor — be laid off because he was hired only two months ago? It is a hard choice and there is no way to know for sure what is right. It is certain, however, that there are better and worse ways of handling the situation.

One strategy is to not think too much about it, to just know that two employees have to go, so you take the names that happen to come to mind, you send them an e-mail, and you instruct security to make sure they're escorted from the building. Then you go hide in the bathroom until they are gone. In other words, you weasel out. In the same situation, another person will draw up criteria for making the decision and will stand up and inform those who are being let go why the decision was made. The thoughts (complaints, regrets, excuses) of those being released will be honoured and heard attentively, but the decision will stand. From the person in charge of deciding, there will be honesty, respect, and firmness. This is virtue. You cannot read it in a book, you cannot memorise principles, and you cannot just follow some precooked decision-making process. You have to have certain qualities as a person to do the right thing in a hard situation.

Virtue ethics is the idea that we can and should instill those qualities in people and then let them go out into the complex business world confident that they will face dilemmas well. What decisions will they make? What will they do when faced with questions about who should be laid off or, in another case, whether to hand over a bribe in a place where everyone is bribing? We do not know. But we rely on their good character to be confident they will do right.

Under this conception, these are the primary tasks of ethics:

1. Delineate what the virtues are.
2. Provide experience using the virtues.

The experience is especially important because virtue is not so much a natural characteristic like height or hair colour; it is more of an acquired skill: something you need to work at, practice, and hone. Also, like many acquired skills, doing it — once a certain level of mastery has been reached — is rewarding or satisfying. Typically, a person driven by virtue has nurtured a moral instinct for acting in consonance with the virtues. Doing right feels right. Conversely, not acting in consonance with the virtues is discomforting; it leaves a bad taste in the mouth. At the risk of trivialising the subject, there is a very limited comparison that can be made between learning virtue and learning more rudimentary activities like golf or dancing. When someone has acquired the skill, hitting a good shot or taking the right steps in perfect time feels good. Conversely, missing a putt or stepping on your partner's foot leaves you consternated.

What are the virtues and vices?

Every advocate of virtue ethics will present a constellation of virtues that they believe captures the essence of what needs to be acquired to be virtuous. Typically, there will also be a set of antivirtues or vices to be avoided to fill out the picture. Here is a set of **virtues** overlapping with what most proponents will offer:

1. Wisdom (both theoretical and practical)
2. Fairness
3. Courage
4. Temperance
5. Prudence
6. Sincerity
7. Civility

On the outer edges, here is a common pair of vices to be avoided. Notice that what counts as a **vice** here is not synonymous with the common use of the word, which implies a weakness of the physical body manifested as the inability to resist drunkenness, drugs, and similar:

1. Cowardice
2. Insensibility

How do the virtues and vices work in a business environment?

Wisdom as a virtue is frequently divided into theoretical and practical variations. Theoretical wisdom is what you get reading books and hearing college lectures. It is the acquired ability to concentrate and understand sentences like the one you are reading now, even though it is not very exciting and allows almost no cheap thrills — words like sex and drugs do not come up much. Those possessing theoretical wisdom know the scholarly rules of the world in the abstract but not necessarily in practice. In the world of business, for example, someone may be able to explain the fine points of Immanuel Kant's complicated and dense ethical ideas, but that does not mean they will be able to apply the lessons when sitting in someone's office in a foreign country.

Practical wisdom (sometimes called prudence) is the learnt ability to take a deep breath and respond to situations thoughtfully. For example, everyone feels like exploding sometimes, especially at work after you have had too much coffee and you did not get the raise you wanted. After that, some guy in a meeting takes a cheap

shot and jokes about how you did not win an overseas account because you did not bribe the right person. What do you do? Scream the guy's head off? Talk about it quietly after the meeting? Let it pass like nothing happened? Practical wisdom does not give an answer, but in the heat of the moment, it is the virtue of making the decision coolly, of doing something you will not regret later. Frequently, an association is set between practical wisdom and finding a spot between extremes. In this case, perhaps it would be excessive to go off right there in the meeting room (because the outburst would tend to confirm that you are not real smart), but it might also be excessive to let the jab go as though nothing had happened (because the same guy may feel emboldened to keep poking at you). So practical wisdom would be the ability to navigate a middle, prudent, route — perhaps one leading to the decision to discuss the matter quietly but sternly after the meeting.

Fairness is the virtue of judging people's acts dispassionately, evenhandedly, and from all points of view. When forming judgements about a potential client who seems to be asking for a bribe, the verdict is going to partially depend on where the client is. If he is in the United States, that is one thing; if he is in a country where clients customarily get cash under the table, that is another. No one is saying the first is wrong and the second right, but the different contexts need to be considered, and fairness is the ability to consider them, to make evenhanded judgements even in very different situations.

Courage is the virtue of moderate boldness. If you are an action crime reporter, you will not hide in a bush while pushing your cameraman out into the open to try to get some exciting footage. You will not, in other words, be a coward. At the same time, you will not be rash either, you will know that sometimes you need to take a risk to get a good story, but it does not make a lot of sense to stand up and film from the middle of a gunfight.

Temperance is the virtue of self-control with respect to pleasure, especially the pleasures of the body and the senses. Curiously, Wallace Souza stands as an embodiment of this skill. As a major league drug dealer, he no doubt had constant access to good, cheap, feel-good substances. Even so, he managed to control his intake, not letting it interfere with his day job as a TV reporter, and his other day job as a legislator.

More generally in the workplace, temperance mixes well with the learnt ability to delay gratification. For example, doing good work is frequently rewarded with a better job, but it is hard to find someone who feels as though they get everything they deserve every time. Temperance enters here as the ability to bear down and keep trying. It is also, on the other side, the ability to know when a larger change (perhaps looking for work at another company) may be necessary to get ahead.

Sincerity is the ability to reveal yourself to others with confidence that you will be respected. It fits between the extremes of frigidity and emoting. Souza or any TV reporter has to do more than just give cold facts; some human, emotional component must be added to the mix. On the other hand, no one is going to watch a reporter who arrives at a crime scene, reports that he feels sad, and breaks down in tears. Similarly in international business negotiations, to establish good contact across

cultures, there has to be some sharing of humanity. You need to reveal what kind of food you like or something similar to the people on the other side. You do not want to go too far, though, and talk about how Japanese food reminds you of a childhood vomiting episode (especially when doing business in Tokyo).

Civility *is the virtue of showing consideration for others without humiliating yourself.* As a virtue it does not mean eating with the right fork or remembering to say “thank you” to clients. Instead, it is the disposition to show others that you take them seriously while also respecting yourself. This means establishing ground rules for behaviour that are independent and neutral. In essence, the idea is, when having lunch with your boss, you do not eat like you are sitting in front of the TV in your family room; you respect her, and you expect the same from her. Civility is the virtue of habitually being and expressing yourself in a way that establishes your presence solidly without threatening or impinging on others.

Vices

On the outside of the virtues, there are vices. Just as the accomplishment of a virtue — acting in harmony with it — yields a sense of satisfaction and confidence that you are living well, living a good life, so too the vices produce a sensation of unease. It is not exactly a sting of conscience (like a child feels when caught stealing); it’s more a sense of weakness, deflation, and failure. Cowardice, for example, is a vice. It may save your job if you mess up and do not confess to the problem being your fault; but for the person trained in virtue, the job will have lost its dignity. Insensibility is another vice. Had Souza understood that, he may have thought twice about those people’s dead bodies he rolled out for television. He may have thought of their living parents, their children. And even if he had not, after he would presented the images he would have felt that he would lapsed, that he had not done as well as he could.

How do I become virtuous?

Virtues are not a list of actions you can write on the back of your hand and refer to; they are ways of living, and the only route to becoming virtuous is to actually live those ways. Every society will have its own institutions for instilling virtue, and within societies different institutions will seem more apt for some than for others. In the United States, the kinds of groups that are sought out as instillers of virtue include the family, churches, schools, sports teams, Boy and Girl Scouts, volunteer and community organisations, the armed forces, AmeriCorps, and similar.

Companies play a role, too. The virtuous organisation will be led by individuals who are virtuous, and it will reward workers — at least partially — based on their progress toward being good people. This kind of organisation will not rely on employee handbooks and compliance rules to dictate behavior; instead, it will devise strategies for nurturing the skills of a good life. They may include mentor programmes, carefully calibrated increases in responsibility and independence for employees, and job performance assessments that not only measure numerical results but also try to gauge an individual’s moral contributions to the organisation’s undertaking.

Finally, when confronted with moral questions — “What kind of images should I broadcast on my TV report?” or “Should I hand money under the table?” — the answer will not be yes or no. It is never a yes or no; it is always to do what my good character dictates.

An advantage and drawback of virtue ethics

The principal **advantage** of virtue ethics is its *flexibility, the confidence that those who are virtuous will be equipped to manage unforeseeable moral dilemmas in unfamiliar circumstances*. The principal **drawback** is the *lack of specificity: the theory does not allow clear, yes-or-no responses to specific problems like whether I should offer a bribe*.



Activity 1.13

1. Would you call Souza’s colourful professional life a profile of the virtue of courage? Why or why not?
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Discourse ethics

Proponents of **discourse ethics** reverse the order in which we normally address ethical uncertainties. Instead of starting with one theory or another and then taking it out into the world to solve problems, they *start with a problem and try to create a moral structure to solve it*. Ethical solutions become ad hoc, custom generated to resolve specific conflicts. It does not matter so much, therefore, that people come to an issue like bribery from divergent moral terrains because that difference is erased by the key element of discourse ethics: a foundational decision to cut away from old ideas and make new ones.

How does discourse ethics work?

When a dilemma is faced, those involved gather and try to talk it out. The discussion is constrained by two basic limits: conversation must be reasonable and civil, and the goal is a peaceful and consensual resolution. As long as these ideals control what we say, we can call the result ethically respectable.

Take the dilemma of international bribery: you have left your home office in New Jersey and gone to Somalia seeking to win construction business on a new airport. As the recent Transparency International Corruption Perception Index shows, you are going to discover that it is customary to pass some cash to a prospective client before he will be willing to do serious business. Company policy, however, prohibits bribes.

‘Corruption perceptions index 2009,’ *Transparency International* http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table (Accessed 12 May 2011).

What do you do? If you are playing by hometown, American rules, your responsibility to company policy and to broad honesty and fairness requires you to walk away. But if you are playing Somali rules where greasing a palm seems fair and acceptable, your obligation to win contracts for the company that is paying your salary requires you to pass some cash. Discourse ethics comes in here with this: instead of trying to impose one side’s convictions on the other, the effort will be to overcome the divide by constructing a new and encompassing moral framework through common agreement. American rules and Somali rules are both thrown out, and new ones get sought. Here are steps on the way:

1. *Define the immediate stakeholders* — that is, those who are most affected by the dilemma and may be gathered to resolve it. In this case, they include you and your client. Since your responsibilities to the company are reported through your supervisor, she too could be included.
2. *Establish a language for discussion.* In the international world this is actually a real problem. Sensibilities must be respected, and if you are in Somalia, just assuming that everyone will speak English might be a step backward. On the other hand, you probably do not speak Somali. This step then becomes a rehearsal for the larger problem — just as you are separated by moral codes, so too you are separated by languages — and you are going to have to find a solution. You may choose a third language, you may hire an interpreter, or maybe your client will be able to speak English. In any case, an agreement must be reached.
3. *Establish the goal, which in discourse ethics is always the peaceful and consensual resolution to the dilemma.*
4. *Define the problem.* Here, it is that when cash passes from you to the client, you feel like you are handing over an illegitimate bribe, but he feels like he is receiving a typical and acceptable gift. This stage of the process would require fairly lengthy elaborations by all those involved of exactly what they understand their obligations and interests to be. Your supervisor would need to explain the company policy, why it exists and how she is responsible for upholding it. Your client might point out that his salary is quite low, and the reason for that is simple: everyone accepts that his income will be supplemented by gifts. (Here, he might sound something like a waitress in New York City explaining to a foreign diner that her salary is absurdly small, but everyone expects there will be some tipping, and it will be more than two shiny quarters.) You, finally, explain how you are being stretched between two obligations: the one to respect company policy and the other to do the job of winning contracts.

5. *Propose solutions.* Discourse ethics is open, a kind of ethical brainstorming: those involved offer solutions, modify each others' proposals, and try to discern whether a common ground can be mapped. In this case, someone may propose that the prospective client offer substantial evidence that money is expected and customary for someone in his position in Somalia. If the evidence can be produced, if it shows that payments are nearly universal, and it shows about how much they normally are, then perhaps all parties can be satisfied. Your supervisor, seeing that the amount actually forms part of a normal salary and is not some extraordinary payment, may be able to reason that the money is not a bribe because it is not doing what bribes typically do, which is afford an unfair advantage. In this case, if everyone is paying, then no advantage will be had. It is important to note here that the logic is not if everyone does it then it is all right, because discourse ethics does not generalise like that. All conversations and solutions are about getting agreement on this one case. So your supervisor feels like handing cash over is not a bribe any more than tipping a waitress is. Your client, having received the money, will obviously be satisfied. You, finally, will be free to fulfill your professional obligation to win the client without sacrificing your obligation to respect company policy and your obligation to yourself to work in a way that is honest.

If this — or any — solution is reached, then discourse ethics will have done what it promised: open a way for concerned parties to reach agreements alleviating conflicts. Whatever the agreement is, it is an ethically recommendable solution because the definition of what is ethically recommendable is just agreements reached through discussion.

An advantage and drawbacks to discourse ethics

The main **advantage** of discourse ethics is that *the search for solutions opens the door all the way*. Everything is on the table. That gives those involved just about the best hope possible for a resolution benefitting everyone joined in the discussion.

There are two main **drawbacks** to discourse ethics. The first is that *everything is on the table*. If what is morally acceptable can be as broad as anything a group agrees to, there is the potential for ugly solutions. On the face of it, the international bribery resolution — *hand some money over because it is not really a bribe and it is more like tipping a waiter* — seems pretty harmless. But it does not take much to see a slippery slope developing. If this kind of gifting is acceptable in Somalia where salaries are low, then why not in the United States too if it happens that a particular client has a low salary relative to others in that line of work? Or why not every client because, really, pay in that line of work is substandard? This can go on and on, and before you know it, the entire economy is corrupted. Obviously, that will not *necessarily* happen, but it could, and this is one of the reasons so many insist that any serious attempt to do ethics must begin with some basic defining of inbounds and out-of-bounds, some dividing of right from wrong. Discourse ethics does not do that.

The second drawback to discourse ethics is that *for every ethical dilemma faced, you have to start over*. Since the entire idea is to clear the deck and make a new solution, anyone facing a significant number of ethical dilemmas in their line of work is going to be constantly clearing the deck and beginning anew. Of course there may be some components of past discussions that could be carried forward — what you learnt on the trip to Somalia may be helpful in Uzbekistan — but that does not change the fact that the ethical recommendation to start from zero and talk problems out is going to lead to a lot of talking.



Activity 1.14

1. A five-step process was discussed to chart the advance of discourse ethics. Summarise each of these steps in your own words.

Ethics of care

Sometimes advocated under the titles of community ethics or feminist ethics, **an ethics of care** *switches the focus of moral regulation from the individual to networks of social relationships*. The basic question is not about yourself; it is not “What should I do?” Instead, it is always about a larger us: “What should be done to nurture the connections among those of us closest to each other?”

A quick example dilemma: There is a flaming car wreck involving your sister and a Nobel Prize — winning medical scientist, and you have the strength to rescue only one of the two. Which should you save? A strict utilitarian — someone believing we should always act to bring the greatest good to the greatest number — will go for the scientist. Saving him will likely produce future medical breakthroughs in turn saving many others, which means the greater good will be served by dragging him out. But how many of us would actually do that? Would you not go for your own sister before some scientist you have never met? And would most of the rest of us not agree that we would do the same thing? If the answer is yes, an ethics of care provides a way of understanding and justifying the impulse, which is, before anything else, to protect those bound to us.

There are three critical steps on the way to formalising care as a coherent ethical orientation. Each is a shift away from traditional ethics.

1. At the center of attention, independent actors are replaced by a web of inter-related individuals. (Ethics is not about me and you; it is about us.)
2. The impartial application of abstract principles is replaced by the maintenance and harmonising of human relationships. (Ethics is less about the fair imposition of rules and more about crafting social integration.)

3. Tensions between the rights of individuals get replaced by conflicts of responsibility to others in established relationships. (Ethical tensions are not my rights versus yours; it is me being torn between those I care for.)

In the international bribery example up to now, we have treated all those involved as anonymous individuals: it has not mattered whether or how long they have known each other. It is only important to know that there is a supervisor X back at the US company headquarters, and there is the person Y who is gone abroad to win a contract, and there is the prospective client Z expecting a bribe. That is it. Maybe the three have never exchanged more than fifty words in a single conversation, or maybe they are all cousins who meet for family blowouts every two months. We have not asked because it has not mattered what their personal relationships may be. That will have to change, however, within an ethics of care because there are no anonymous, single individuals: everyone has a place — near or far, integral or accidental — within a social network. For that reason, all morality resembles the car wreck. It is charged with human attachment, and because the ethics of care makes those attachments the center of deliberation, you have to know how people are related to each other before beginning to know how they should treat each other.

Turning this perspective toward the bribery example, the overseas client, let us say, is an old and loyal client of the company, and also one who is always gotten a little extra from one or another employee. About the company, it is not an anonymous multinational but a medium-sized, extended-family concern. Brothers, uncles, nieces and nephews, and a hodgepodge of others all work there. For years, it can be added, this overseas contract has been vital to the company's success. Now all this counts for something within an ethics of care. As opposed to the traditional idea that the best moral lessons show us how to coldly, impersonally, and impartially apply abstract rules, here we are checking to see who is involved, because the reason we have morality is to vitalise our human relationships.

An ethics geared to strengthen bonds is not necessarily easy to enact. Take a company like Oil-Dri, about which *Forbes* recounts,

Oil-Dri now makes about \$240 million a year in revenues. At the company's 50th anniversary party, the CEO asked anyone related to anyone else at the organisation to stand up. Of the company's 700 or so employees, almost 500 rose.

Kneale, K (2009) 'Is nepotism so bad?,' *Forbes*, 20 June <http://www.forbes.com/2009/06/19/ceo-executive-hiring-ceonewtork-leadership-nepotism.html> (Accessed 12 May 2011).

This is obviously an organisation where relationships matter and where management is accounting for human concerns and networks when hiring people. No doubt there is a lot of camaraderie in this workplace, but imagine how difficult it must be to dole out promotions when everyone knows everyone else in that personal, almost familial way. Within a more traditional ethics, one of the first steps to making a promotion decision is to clear away all the personal stuff before

evaluating each employee directly and simply assess his or her professional merits. Within an ethics of care, however, any promotion decision — more or less any decision at all, for that matter — is going to require the subtle, complex, and difficult balancing of many individual and highly emotional situations and circumstances.

Something similar happens within typical families. Most parents trot out the idea of treating all their children identically — they all get their first car at the same age and so on — but if a sibling has special problems at one stage of their development, they will normally get special treatment in the name of preserving the family unit. The other brothers and sisters probably complain, but if they are old enough they understand that protecting those who are vulnerable is one of the first imperatives of caring for each other as a group. An ethics of care in essence takes that model from the family and extends it out into the world of business. Applying it to the promotion question, if there is a member of Oil-Dri saddled by, let us say, a difficulty with alcohol, then that might actually be a *positive* consideration within care-based thought. Promoting someone who has had problems and reinforcing their attempt to get past them may serve the general harmony of the entire group. As a result, someone who is less qualified in purely professional terms may get the promotion in the name of caring for the social web.

How might the case of international bribery be managed within an ethics of care?

Traditionally, ethics features questions about the competing rights of individuals. For example, when I offer a bribe, am I impinging on the right of another to compete on a level playing field for the same business? Starting from an ethics of care poses a different question: does giving a bribe reinforce or weaken the bonds of human relationships defining my place in the world? The answer, obviously, depends. If the company is Oil-Dri where everyone's deeply connected, and it is an old client, and a little gift of cash has always been slid under the table, then the maintenance of that network's vitality and human health becomes a powerful argument in favour of continuing the practice.

Keeping the wheels turning is not the only solution, however. Discomfort with doing something that seems underhanded may lead the overseas representative to try a different way of keeping the contract going, one that is based less on money under the table and more on aboveboard selling points. Quality of service as proven by work performed in previous years may offer a way to keep the business and personal link intact. There may be, in other words, a less controversial route to the same end of maintaining and enforcing existing relationships.

Alternatively, a different client, one not demanding a bribe, may be sought to purchase the company's goods and services. Nothing in an ethics of care requires those participating to preserve every bond. Sometimes it happens in families that a member becomes so toxic and damaging to the rest that the connection needs to be severed in the name of maintaining the larger whole. The overseas bribery relationship may be one of those cases. It is hard, of course, to break away, but there are other

potential clients out in the world and going after them may, in the final analysis, do more for the social health of the core group than clinging to a problem at all costs.

Finally, enrolling in an ethics of care does not mean going blind to what is going on outside the circle of care. One fact from the larger world that should be taken account of comes from a recent article in the Washington Post about foreign business bribes: prosecutions of international bribery by the US government are picking up.

Johnson, C (2010) 'U.S. sends a message by stepping up crackdown on foreign business bribes,' Washington Post, 8 February <http://www.washingtonpost.com/wp-dyn/content/article/2010/02/07/AR2010020702506.html> (Accessed 12 May 2011).

Ethical concerns should normally be distinguished from legal considerations, but there is no doubt that few events interrupt human relationships like a jail term. Cutting the bribery relationship, therefore, may be necessary regardless of how important the particular client and business are for the larger whole.

Conclusion

The activation of an ethics of care may justify continuing to pay money under the table. Or it may lead toward a less controversial way of maintaining the business relationship. Or it may cause a break between the company offering services and the overseas client demanding a bribe. There is no way to know for sure which path will be the right one, but in every case the choice will be made in the name of preserving and nurturing the human relationships surrounding the decision.

Advantages and drawbacks of ethics of care

The **advantages** of a care-based ethics include the following:

1. *It can cohere with what we actually do and think we ought to do, at least in cases like the car accident cited at this section's beginning.* In a certain sense, it corresponds with our natural instincts to act in favour of and protect those under our care and those involved in our lives.
2. *It humanises ethics by centering thought on real people instead of cold rules.* Presumably, everyone agrees that ethics is ultimately about people: unlike the hard sciences, the end results of morality are tallied in human lives. To the extent that is right, an emphasis on care seems well suited to the general practice of ethics.
3. *It allows us to focus our energy and concern on those who are closest to us.* Everyone knows that there is injustice in the world, just as we all know we cannot solve every problem. The ethics of care allows us to focus our energy naturally on the most immediate human needs.

The main **disadvantage** of an ethics of care is that *it threatens to devolve into tribalism*: There is my group, and I take care of them. As for all the rest of you, you are in your groups and in charge of yourselves. This is not *every man for himself*, but it comes close to *every social group for itself*.



Summary

Cultural relativism is the view that all beliefs, customs, and ethics are relative to the individual within his/her own social context. In other words, “right” and “wrong” are culture-specific; what is considered moral in one society may be considered immoral in another, and, since no universal standard of morality exists, no one has the right to judge another society’s customs.

Some theories that challenge cultural relativism include:

1. Nietzsche’s eternal return of the same is a concept that the universe has been recurring, and will continue to recur, in a self-similar form an infinite number of times across infinite time or space.
2. Cultural ethics, where culturalists embrace the idea that moral doctrines are just the rules a community believes in and that they accept that there is no way to prove one’s society’s values are better than another.
3. Virtue theory which de-emphasizes rules, consequences and particular acts and places the focus on the kind of person who is acting.
4. Discourse ethics, where his theory recognises that within any environment populated with individuals conflicting moral values will exist, and may potentially clash ; this framework enables individuals involved to develop a moral theory that will satisfy the needs of everyone involved.
5. Ethics of care, implies that there is moral significance in the fundamental elements of relationships and dependencies in human life.



Self-test 1.4

1. Write down some factors leading to a significant decision you have made. It could be about choosing a field of study or a career path. Now, can you walk through each of the factors within the eternal return? Are there any decisions you made that you would take back and change?

Suggested answers to activities



Feedback

Activity 1.10

1. This is because cultural *relativism is the view* that all beliefs, customs, and ethics are relative to the individual within his own social context. In other words, “right” and “wrong” are culture-specific; what is considered moral in one society may be considered immoral in another, and, since no universal standard of morality exists, no one has the right to judge another society’s customs.

Cultural relativism is widely accepted in modern anthropology. Cultural relativists believe that all cultures are worthy in their own right and are of equal value. Diversity of cultures, even those with conflicting moral beliefs, is not to be considered in terms of right and wrong or good and bad.

Cultural relativism sees nothing inherently wrong (and nothing inherently good) with any cultural expression. So, the ancient Mayan practices of self-mutilation and human sacrifice are neither good nor bad; they are simply cultural distinctives, akin to the American custom of shooting fireworks on the Fourth of July. Human sacrifice and fireworks — both are simply different products of separate socialization.

Activity 1.11

1. Eternal return is a concept that the universe has been recurring, and will continue to recur, in a self-similar form an infinite number of times across infinite time or space, in other words, history repeating itself again and again indefinitely.

2. As cultural relativism is the view that all beliefs, customs, and ethics are relative to the individual within his own social context and the concept of eternal return adds gravity to life. It forces one to accept the decision one make will be repeated forever, compelling one to take the decision one makes seriously, to think them through. Thus the concept of eternal return is a reasonable response to cultural relativism.

The main argument against the concept of eternal return is that if everyone is out being themselves, how are we going to live together? How can everyone make peaceful and harmonious societies when everyone thinks about what's best for themselves forever.

Activity 1.12

You go abroad to win a contract and discover that a cash gift is necessary, so you hand it over and win the business. On returning to the United States, you put the \$200 gift on your expense report. The boss is infuriated, calls your act an “unethical, wrongheaded bribe” and says she won't reimburse you the \$200. What arguments could you use to convince her that you did the right thing and should be reimbursed?

The cultural ethics argument can be used to convinced your boss that you did the right thing and should be reimbursed for the \$200. This is because culturalists embrace the idea that moral doctorines are just the rules a community believes, and they accept that there is no way to prove one's society's value is better than another. In other words, “when in Rome, do as the Romans do”. In this case, giving a cash gift is necessary and the right thing to do in order to win the business contract. Therefore, you should be reimbursed for the \$200.

Activity 1.13

On one hand, we can describe Souza's colourful professional life a profile of courage because he races to the crime scene, interviews witness and tracks down shady characters, brimming with confidence and energy that comes with power to bring justice to the people.

On the other hand, Souza's colourful professional life is a fake when it was revealed that Souza frequently reached the best crime scene first is that he was paying hit man to assassinate local drug dealers. He even knew when the crime will happen before they

actually occur. Finally, in a brazen move during one of his last TV programmes, he even get his viewers to phone in or to vote which notorious drug dealers he should eliminate first. Therefore in this context, his behaviour is vice rather than virtue.

Activity 1.14

A five step process of discourse ethics:

Step 1: Define the immediate stakeholders. When faced with a dilemma, the first thing to do is to identify the parties involved.

Step 2: Establish the language for discussion. Find the most common language use among the party members to ensure a smooth discussion.

Step 3: Establish the goals (the peaceful and consensual resolution). The goal in discourse ethics is to find an amicable solution to the dilemma for all parties concern.

Step 4: Define the problem. This step is where the problem is being addressed and discussed openly by all members concerned.

Step 5: Propose solutions

Summary of Unit 1



Summary

Ethical theories and principles bring significant characteristics to the decision-making process. Although all of the ethical theories attempt to follow the ethical principles in order to be applicable and valid by themselves, each theory falls short with complex flaws and failings. However, these ethical theories can be used in combination in order to obtain the most ethically correct answer possible for each scenario. For example, a utilitarian may use the casuistic theory and compare similar situations to his real life situation in order to determine the choice that will benefit the most people. The deontologist and the rule utilitarian governor who are running late for their meeting may use the rights ethical theory when deciding whether or not to speed to make it to the meeting on time. Instead of speeding, they would slow down because the law in the rights theory is given the highest priority, even if it means that the most people may not benefit from the decision to drive the speed limit. By using ethical theories in combination, one is able to use a variety of ways to analyse a situation in order to reach the most ethically correct decision possible.

Suggested Answers to Self-tests



Feedback

Self-test 1.1

During the early part of the 2000s, the world was shocked as one business ethics scandal after another became headline news. Business ethics is necessary for companies, business ethical is vital not because it is fashionable though business can ill afford to ignore anything, however silly, which seriously influences the market in which it operates, rather business ethics is necessary because ethical choices are unavoidable.

These are some reasons why business should be seen as ethical:

- To protect its own interest
- To protect the interest of the business community as a whole so that the public will have trust it
- To keep its commitment to society to act ethically
- To meet stakeholders expectations
- To prevent harm to the general public
- To build trust with key stakeholder groups
- To protect their own reputations
- To protect their own employees and create an environment in which workers can act in ways consistent their values
- Besides, if a corporation reneges in its agreements and expected others to keep theirs,

The business ethics challenge is to make that predictable ethical decision making explicit so as to make it better. Far from it being anti-business, business ethics is actually maximising long-term ownership value.

Self-test 1.2

These are reflective questions. There is no specific answer. Answers will vary according to each individual.

Self-test 1.3

1. “*The greatest good for the greatest number*” is a common misquotation of the founding principle of **utilitarianism**. Utilitarianism is an ethical theory that states that society (and people) should maximise “utility” — commonly defined as increasing happiness and reducing suffering.

In 1974, Libertarian philosopher Robert Nozick proposed a critique of utilitarianism in which a hypothetical ‘**utility monster**’ derived more pleasure than anyone else from his actions, so much so that his pleasure would outweigh the sorrow felt by others over whatever damage or deprivation he caused.

Consider the case of a starving, homeless child living in an incredibly wealthy village, in which everyone but the child has an abundant supply of food and other material possessions. While all of the wealthy people gain utility from keeping their food, it is certainly the case that if they were to give some of their food to the starving child, the child would “get enormously greater gains in utility from any sacrifice of others than these others lose.” The utilitarian would clearly hold that the morally optimal action for the wealthy villagers to take is to provide food, clothing, and most probably shelter to the child, since the child will experience immense suffering without the help of the villagers, while the inconvenience to the villagers is relatively minor in comparison. It seems likely that non-utilitarians would hold a similar position, although their beliefs would rely on different justifications.

2. With a utilitarian partner, there would be a net positive result for everyone, including customers and suppliers. Customers will be able to purchase the product and suppliers will be bogged down trying to meet customers’ demand while you will reap the profits.

With a egoist partner, there would be a net positive result for only himself, which means your partner will do whatever work is required as long as it benefits him to the maximum.

With an altruistic partner, there would be a net positive result for everyone, except for himself. Your partner will deny himself and sacrifice himself for all kinds of other reasons for the sake of the business.

Self-test 1.4

1. There is no specific answer to this question.

2. In the case of international bribery, we will treat all parties involved as anonymous individuals: it does not matter how long the parties have known each other. It is only important to know that there is a person in charge in US, the person going onboard for the business trip and the prospective client.

In ethics of care, there will not be any anonymous single individuals, instead everyone has a place be it far or near or has an integral part in the social network. Ethics of care uses relational and context-bound approach towards morality and decision making. For this reason, we have to know how the people are related to each other before we can decide how they should be treated.

In the above scenario, based on the ethics of care, you can refuse to bribe your half brother from your father's first marriage assuming that you are not in close relationship with them, other than know who they are.

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