



BUSINESS ETHICS

.....
9TH EDITION

William H. Shaw
San Jose State University



Australia • Brazil • Mexico • Singapore • United Kingdom • United States

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PREFACE

It is difficult to imagine an area of study that has greater importance to society or greater relevance to students than business ethics. As this text enters its ninth edition, business ethics has become a well-established academic subject. Most colleges and universities offer courses in it, and scholarly interest continues to grow.

Yet some people still scoff at the idea of business ethics, jesting that the very concept is an oxymoron. To be sure, recent years have seen the newspapers filled with lurid stories of corporate misconduct and felonious behavior by individual businesspeople, and many suspect that what the media report represents only the proverbial tip of the iceberg. However, these scandals should prompt a reflective person not to make fun of business ethics but rather to think more deeply about the nature and purpose of business in our society and about the ethical choices individuals must inevitably make in their business and professional lives.

Business ethics has an interdisciplinary character. Questions of economic policy and business practice intertwine with issues in politics, sociology, and organizational theory. Although business ethics remains anchored in philosophy, even here abstract questions in normative ethics and political philosophy mingle with analysis of practical problems and concrete moral dilemmas. Furthermore, business ethics is not just an academic study but also an invitation to reflect on our own values and on our own responses to the hard moral choices that the world of business can pose.



GOALS, ORGANIZATION, AND TOPICS

Business Ethics has four goals: to expose students to the important moral issues that arise in various business contexts; to provide students with an understanding of the moral, social, and economic environments within which those problems occur; to introduce students to the ethical and other concepts that are relevant for resolving those problems; and to assist students in developing the necessary reasoning and analytical skills for doing so. Although the book's primary emphasis is on business, its scope extends to related moral issues in other organizational and professional contexts.

The book has four parts. Part One, "Moral Philosophy and Business," discusses the nature of morality and presents the main theories of normative ethics and the leading approaches to questions of economic justice. Part Two, "American Business and Its Basis," examines the institutional foundations of business, focusing on capitalism as an economic system and the nature and role of corporations in our society. Part Three, "Business and Society," concerns moral problems involving business, consumers, and the natural environment. Part Four, "The Organization and the People in It," identifies a variety of ethical issues and moral challenges that arise out of the interplay of employers and employees within an organization, including the problem of discrimination.

Case studies enhance the main text. These cases vary in kind and in length, but they are all designed to enable instructors and students to pursue further some of the issues discussed in the text and to analyze them in more specific contexts. The case studies should provide a lively springboard for classroom discussions and the application of ethical concepts.

Business Ethics covers a wide range of topics relevant to today's world. Three of these are worth drawing particular attention to.

Business and Globalization

The moral challenges facing business in today's globalized world economy are well represented in the book and seamlessly integrated into the chapters. For example, Chapter 1 discusses ethical relativism, Chapter 4 outsourcing and globalization, and Chapter 8 overseas bribery and the Foreign Corrupt Practices Act; and there are international examples or comparisons throughout the book. Moreover, almost all the basic issues discussed in the book (such as corporate responsibility, the nature of moral reasoning, and the value of the natural world—to name just three) are as crucial to making moral decisions in an international business context as they are to making them at home. In addition, cases 1.1, 2.3, 4.1, 5.1, 5.2, 6.3, 7.2, 7.5, 9.5, and 10.4 deal explicitly with moral issues arising in today's global economic system.

The Environment

Because of its ongoing relevance and heightened importance in today's world, an entire chapter, Chapter 7, with five case studies is devoted to this topic. In particular, the chapter highlights recent environmental disasters, the environmental dilemmas and challenges we face, and their social and business costs, as well as the changing attitude of business toward the environment and ecology.

Health and Health Care

Far from being a narrow academic pursuit, the study of business ethics is relevant to a wide range of important social issues—for example, to health and health care, which is currently the subject of much discussion and debate in the United States. Aspects of this topic are addressed in the text and developed in the following cases: 2.3: Blood for Sale, 4.2: Licensing and Laissez Faire, 5.2: Drug Dilemmas, 6.1: Breast Implants, 8.1: AIDS in the Workplace, and 9.4: Protecting the Unborn at Work.

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CHANGES IN THIS EDITION

YOUR TEXTBOOK

Instructors who have used the previous edition will find the organization, general content, and overall design of the book familiar. However, the text has been revised throughout, as examples and information have been updated, and the clarity of its discussions and the accuracy of its treatment of both philosophical and empirical issues have been improved. At all times the goal has been to provide a textbook that students will find clear, understandable, and engaging.

Fifty-two case studies—more than ever before—now supplement the main text. Five of them are brand new; a number of the others have been revised or updated. Of the cases that are new to this edition, Case 1.2, “Loose Money,” deals with whether to return cash that has been dropped to its owner;

Case 4.1, “Catastrophe in Bangladesh,” concerns responsibility for a factory collapse that killed over a thousand workers making clothing for Western firms; Case 4.6, “Paying College Athletes,” examines the move to give athletes a greater share of the revenues from college sports; Case 5.4, “Corporations and Religious Faith,” deals with the claim that corporations have a right to do business in a way that reflects the religious beliefs of their owners; and Case 5.6, “Corporate Taxation,” discusses tax avoidance by large corporations.

MINDTAP

MindTap® Ethics for Shaw’s *Business Ethics* is a digital learning solution that helps instructors engage and transform today’s students into critical thinkers. Through paths of dynamic assignments and applications that can be personalized by instructors (including ethics simulations, quizzing and BBC videos), real-time course analytics and an accessible reader, **MindTap** helps turn cookie cutter into cutting edge, apathy into engagement, and memorizers into higher-level thinkers.



WAYS OF USING THE BOOK

A course in business ethics can be taught in a variety of ways. Instructors have different approaches to the subject, different intellectual and pedagogical goals, and different classroom styles. They emphasize different themes and start at different places. Some of them may prefer to treat the foundational questions of ethical theory thoroughly before moving on to particular moral problems; others reverse this priority. Still other instructors frame their courses around the question of economic justice, the analysis of capitalism, or the debate over corporate social responsibility. Some instructors stress individual moral decision making, others social and economic policy.

Business Ethics permits teachers great flexibility in how they organize their courses. A wide range of theoretical and applied issues are discussed; and the individual chapters, the major sections within them, and the case studies are to a surprising extent self-contained. Instructors can thus teach the book in whatever order they choose, and they can easily skip or touch lightly on some topics in order to concentrate on others without loss of coherence.



ACKNOWLEDGMENTS

I wish to acknowledge my great debt to the many people whose ideas and writing have influenced me over the years. Philosophy is widely recognized to involve a process of ongoing dialogue. This is nowhere more evident than in the writing of textbooks, whose authors can rarely claim that the ideas being synthesized, organized, and presented are theirs alone. Without my colleagues, without my students, and without a larger philosophical community concerned with business and ethics, this book would not have been possible.

I particularly want to acknowledge my debt to Vincent Barry. Readers familiar with our textbook and reader *Moral Issues in Business*¹ will realize the extent to which I have drawn on material from that work. *Business Ethics* is, in effect, a revised and updated version of the textbook portion of that collaborative work, and I am very grateful to Vince for permitting me to use our joint work here.

¹William H. Shaw and Vincent Barry, *Moral Issues in Business*, 13th ed. (Boston, Mass.: Cengage Learning, 2016).



CHAPTER 1

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THE NATURE OF MORALITY

INTRODUCTION

SOMETIMES THE RICH AND MIGHTY FALL. Take Kenneth Lay, for example. Convicted by a jury of conspiracy and multiple counts of fraud, he had been chairman and CEO of Enron until that once mighty company took a nose dive and crashed. Founded in the 1980s, Enron soon became a dominant player in the field of energy trading, growing rapidly to become America's seventh biggest company. Wall Street loves growth, and Enron was its darling, admired as dynamic, innovative, and—of course—profitable. Enron stock exploded in value, increasing 40 percent in a single year. The next year it shot up 58 percent and the year after that an unbelievable 89 percent. The fact that nobody could quite understand exactly how the company made its money didn't seem to matter.

Fortune magazine voted Enron America's "Most Innovative Company" for six consecutive years, and Enron proudly took to calling itself not just "the world's leading energy company" but also "the world's leading company." But when Enron was later forced to declare bankruptcy—at the time the largest Chapter 11 filing in U.S. history—the world learned that its legendary financial prowess was illusory and the company's success built on the sands of hype. And the hype continued to the

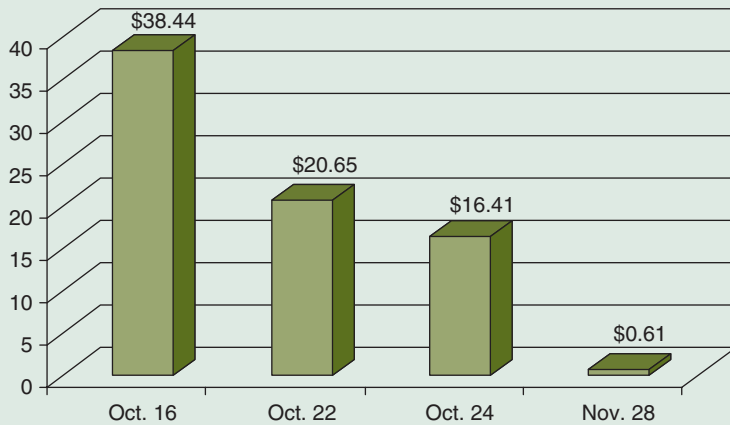
end. Even with the company's financial demise fast approaching, Kenneth Lay was still recommending the company's stock to its employees—at the same time that he and other executives were cashing in their shares and bailing out.

Enron's crash cost the retirement accounts of its employees more than a billion dollars as the company's stock fell from the stratosphere to only a few pennies a share. Outside investors lost even more. The reason Enron's collapse caught investors by surprise—the company's market value was \$28 billion just two months before its bankruptcy—was that Enron had always made its financial records and accounts as opaque as possible. It did this by creating a Byzantine financial structure of off-balance-sheet special-purpose entities—reportedly as many as 9,000—that were supposed to be separate and independent from the main company. Enron's board of directors condoned these and other dubious accounting practices and voted twice to permit executives to pursue personal interests that ran contrary to those of the company. When Enron was obliged to redo its financial statements for one three-year period, its profits dropped \$600 million and its debts increased \$630 million.

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The collapse of Enron's stock price in late 2001

Still, Enron's financial auditors should have spotted these and other problems. After all, the shell game Enron was playing is an old one, and months before the company ran aground, Enron Vice President Sherron Watkins had warned Lay that the company could soon “implode in a wave of accounting scandals.” Yet both Arthur Andersen, Enron's longtime outside auditing firm, and Vinson & Elkins, the company's law firm, had routinely put together and signed off on various dubious financial deals, and in doing so made large profits for themselves. Arthur Andersen, in particular, was supposed to make sure that the company's public records reflected financial reality, but Andersen was more worried about its auditing and consulting fees than about its fiduciary responsibilities. Even worse, when the scandal began to break, a partner at Andersen organized the shredding of incriminating Enron documents before investigators could lay their hands on them. As a result, the eighty-nine-year-old accounting firm was convicted of obstructing justice. The Supreme Court later overturned that verdict on a technicality, but by then Arthur Andersen had already been driven out of business. (The year before Enron went under, by the way, the Securities and Exchange Commission fined Andersen \$7 million for approving misleading accounts at Waste Management, and it also had to pay \$110 million to settle a lawsuit for auditing work it did for Sunbeam before it, too, filed for bankruptcy. And when massive accounting fraud was later uncovered at WorldCom, it came out that the company's auditor was—you guessed it—Arthur Andersen.)

Enron's fall also revealed the conflicts of interest that threaten the credibility of Wall Street's analysts—analysts

who are compensated according to their ability to bring in and support investment banking deals. Enron was known in the industry as the “deal machine” because it generated so much investment banking business—limited partnerships, loans, and derivatives. That may explain why, only days before Enron filed bankruptcy, just two of the sixteen Wall Street analysts who covered the company recommended that clients sell the stock. The large banks that Enron did business with played a corrupt role, too, by helping manufacture its fraudulent financial statements. (Subsequent lawsuits have forced them to cough up some

of their profits: Citibank, for example, had to pay Enron's victimized shareholders \$2 billion.) But the rot didn't stop there. Enron and Andersen enjoyed extensive political connections, which had helped over the years to ensure the passage of a series of deregulatory measures favorable to the energy company. Of the 248 members of Congress sitting on the eleven House and Senate committees charged with investigating Enron's collapse, 212 had received money from Enron or its accounting firm.¹

Stories of business corruption and of greed and wrongdoing in high places have always fascinated the popular press, and media interest in business ethics has never been higher. But one should not be misled by the headlines and news reports. Not all moral issues in business involve giant corporations and their well-heeled executives, and few cases of business ethics are widely publicized. The vast majority of them involve the mundane, uncelebrated moral challenges that working men and women meet daily.

Although the financial shenanigans at Enron were complicated, once their basic outline is sketched, the wrongdoing is pretty easy to see: deception, dishonesty, fraud, disregarding one's professional responsibilities, and unfairly injuring others for one's own gain. But many of the moral issues that arise in business are complex and difficult to answer. For example:

How far must manufacturers go to ensure product safety? Must they reveal everything about a product, including any possible defects or shortcomings? At what point does acceptable exaggeration become lying

about a product or a service? When does aggressive marketing become consumer manipulation? Is advertising useful and important or deceptive, misleading, and socially detrimental? When are prices unfair or exploitative?

Are corporations obliged to help combat social problems? What are the environmental responsibilities of business, and is it living up to them? Are pollution permits a good idea? Is factory farming morally justifiable?

May employers screen potential employees on the basis of lifestyle, physical appearance, or personality tests? What rights do employees have on the job? Under what conditions may they be disciplined or fired? What, if anything, must business do to improve work conditions? When are wages fair? Do unions promote the interests of workers or infringe their rights? When, if ever, is an employee morally required to blow the whistle?

May employees ever use their positions inside an organization to advance their own interests? Is insider trading or the use of privileged information immoral? How much loyalty do workers owe their companies? What say should a business have over the off-the-job activities of its employees? Do drug tests violate their right to privacy?

What constitutes job discrimination, and how far must business go to ensure equality of opportunity? Is affirmative action a matter of justice, or a poor idea? How

should organizations respond to the problem of sexual harassment?

LEARNING OBJECTIVES

These questions typify business issues with moral significance. The answers we give to them are determined, in large part, by our moral standards—that is, by the moral principles and values we accept. What moral standards are, where they come from, and how they can be assessed are some of the concerns of this opening chapter. In particular, you will encounter the following topics:

1. The nature, scope, and purpose of business ethics
2. The distinguishing features of morality and how it differs from etiquette, law, and professional codes of conduct
3. The relationship between morality and religion
4. The doctrine of ethical relativism and its difficulties
5. What it means to have moral principles; the nature of conscience; and the relationship between morality and self-interest
6. The place of values and ideals in a person's life
7. The social and psychological factors that sometimes jeopardize an individual's integrity
8. The characteristics of sound moral reasoning

ETHICS

Ethics (or moral philosophy) is a broad field of inquiry that addresses a fundamental query that all of us, at least from time to time, inevitably think about—namely, How should I live my life? That question, of course, leads to others, such as: What sort of person should I strive to be? What values are important? What standards or principles should I live by? Exploring these issues immerses one in the study of right and wrong. Among other things, moral philosophers and others who think seriously about ethics want to understand the nature of morality, the meaning of its basic concepts, the characteristics of good moral reasoning, how moral judgments can be justified, and, of course, the principles or properties that distinguish right actions from wrong actions. Thus, ethics deals with individual character and with the moral rules that govern and limit our conduct. It investigates questions of right and wrong, fairness and unfairness, good and

SUMMARY

Ethics deals with individual character and the moral rules that govern and limit our conduct. It investigates questions of right and wrong, duty and obligation, and moral responsibility.

bad, duty and obligation, and justice and injustice, as well as moral responsibility and the values that should guide our actions.

You sometimes hear it said that there's a difference between a person's ethics and his or her morals. This can be confusing because what some people mean by saying that something is a matter of ethics (as opposed to morals) is often what other people mean by saying that it is a matter of morals (and not ethics). In fact, however, most people (and most philosophers) see no real distinction between a person's "morals" and a person's "ethics." And almost everyone uses "ethical" and "moral" interchangeably to describe people we consider good and actions we consider right, and "unethical" and "immoral" to designate bad people and wrong actions. This book follows that common usage.

BUSINESS AND ORGANIZATIONAL ETHICS

The primary focus of this book is ethics as it applies to business. **Business ethics** is the study of what constitutes right and wrong, or good and bad, human conduct in a business context. For example, would it be right for a store manager to break a promise to a customer and sell some hard-to-find merchandise to someone else, whose need for it is greater? What, if anything, should a moral employee do when his or her superiors refuse to look into apparent wrongdoing in a branch office? If you innocently came across secret information about a competitor, would it be permissible for you to use it for your own advantage?

Recent business scandals have renewed the interest of business leaders, academics, and society at large in ethics. For example, the Association to Advance Collegiate Schools of Business, which comprises all the top business schools, has introduced new rules on including ethics in their curricula, and in recent years thousands of MBA students have signed the "MBA Oath," a voluntary pledge to "not advance my personal interests at the expense of my enterprise or society," to "refrain from corruption, unfair competition, or business practices harmful to society," and to "protect the human rights and dignity of all people affected by my enterprise."² But an appreciation of the importance of ethics for a healthy society and a concern, in particular, for what constitutes ethical conduct in business go back to ancient times. The Roman philosopher Cicero (106–43 BCE), for instance, discussed the example, much debated at the time, of an honest merchant from Alexandria who brings a large stock of wheat to Rhodes where there is a food shortage. On his way there, he learns that other traders are setting sail for Rhodes with substantial cargos of grain. Should he tell the people of Rhodes that more wheat is on the way, or say nothing and sell at the best price he can? Some ancient ethicists argued that although the merchant must declare defects in his wares as required by law, as a vendor he is free—provided he tells no untruths—to sell his goods as profitably as he can. Others, including Cicero, argued to the contrary that all the facts must be revealed and that buyers must be as fully informed as sellers.³

"Business" and "businessperson" are broad terms. A "business" could be a food truck or a multinational corporation that operates in several countries. "Businessperson" could refer to a street vendor or a company president responsible for thousands of workers and millions of shareholder dollars. Accordingly, the word **business** will be used here simply to mean any organization whose objective is to provide goods or services for profit. **Businesspeople** are those who participate in planning, organizing, or directing the work of business.

But this book takes a broader view as well because it is concerned with moral issues that arise wherever employers and employees come together. Thus, it addresses organizational ethics as well as business ethics. An *organization* is a group of people working together to achieve a common purpose. The purpose may be to offer a product or a service primarily for profit, as in business. But the purpose also could be health care, as in medical organizations; public safety and order, as in law enforcement organizations; education, as in academic organizations; and so on. The cases and illustrations presented in this book deal with moral issues and dilemmas in both business and nonbusiness organizational settings.

People occasionally poke fun at the idea of business ethics, declaring that the term is a contradiction or that business has no ethics. Such people take themselves to be worldly and realistic. They think they have a down-to-earth idea of how things really work. In fact, despite its pretense of sophistication, their attitude shows little grasp of the nature of ethics and only a superficial understanding of the real world of business. Reading this book should help you comprehend how inaccurate and mistaken their view is.

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MORAL VERSUS NONMORAL STANDARDS

Moral questions differ from other kinds of questions. Whether the old computer in your office can copy a pirated DVD is a factual question. By contrast, whether you should copy the DVD is a moral question. When we answer a moral question or make a moral judgment, we appeal to moral standards. These standards differ from other kinds of standards.

Wearing shorts and a tank top to a formal dinner party is boorish behavior. Writing an essay that is filled with double negatives or lacks subject–verb agreement violates the basic conventions of proper language usage. Photographing someone at night without the flash turned on is a poor photographic technique. In each case a standard is violated—fashion, grammatical, technical—but the violation does not pose a serious threat to human well-being.

Moral standards are different because they concern behavior that is of serious consequence to human welfare, that can profoundly injure or benefit people.⁴ The conventional moral norms against lying, stealing, and killing deal with actions that can hurt people. And the moral principle that human beings should be treated with dignity and respect uplifts the human personality. Whether products are healthful or harmful, work conditions safe or dangerous, personnel procedures biased or fair, privacy respected or invaded—these are also matters that seriously affect human well-being. The standards that govern our conduct in these areas are moral standards.

A second characteristic follows from the first. Moral standards take priority over other standards, including self-interest. Something that morality condemns—for instance, the burglary of your neighbor’s home—cannot be justified on the nonmoral grounds that it would be a thrill to do it or that it would pay off handsomely. We take moral standards to be more important than other considerations in guiding our actions.

A third characteristic of moral standards is that their soundness depends on the adequacy of the reasons that support or justify them. For the most part, fashion standards are set by clothing designers, merchandisers, and consumers; grammatical standards by

SUMMARY

Business ethics is the study of what constitutes right and wrong (or good and bad) human conduct in a business context. Closely related moral questions arise in other organizational contexts.

Moral standards concern behavior that seriously affects human well-being.

Moral standards take priority over other standards.

The soundness of moral standards depends on the adequacy of the reasons that support them.

grammarians and students of language; technical standards by practitioners and experts in the field. Legislators make laws, boards of directors make organizational policy, and licensing boards establish standards for professionals. In those cases, some authoritative body is the ultimate validating source of the standards and thus can change the standards if it wishes. Moral standards are not made by such bodies. Their validity depends not on official fiat but rather on the quality of the arguments or the reasoning that supports them. Exactly what constitutes adequate grounds or justification for a moral standard is a debated question, which, as we shall see in Chapter 2, underlies disagreement among philosophers over which specific moral principles are best.

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SUMMARY

We appeal to moral standards when we answer a moral question or make a moral judgment. Three characteristics of moral standards distinguish them from other kinds of standards.

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Although these three characteristics set moral standards apart from other standards, it is useful to discuss more specifically how morality differs from three things with which it is sometimes confused: etiquette, law, and professional codes of ethics.

MORALITY AND ETIQUETTE

Etiquette refers to the norms of correct conduct in polite society or, more generally, to any special code of social behavior or courtesy. In our society, for example, it is considered bad etiquette to chew with your mouth open or to pick your nose when talking to someone; it is considered good etiquette to say “please” when requesting and “thank you” when receiving, and to hold a door open for someone entering immediately behind you. Good business etiquette typically calls for writing follow-up letters after meetings, returning phone calls, and dressing appropriately. It is commonplace to judge people’s manners as “good” or “bad” and the conduct that reflects them as “right” or “wrong.” “Good,” “bad,” “right,” and “wrong” here simply mean socially appropriate or socially inappropriate. In these contexts, such words express judgments about manners, not about ethics.

The rules of etiquette are prescriptions for socially acceptable behavior. If you violate them, you’re likely to be considered ill-mannered, impolite, or even uncivilized, but not necessarily immoral. If you want to fit in, get along with others, and be thought well of by them, you should observe the common rules of politeness or etiquette. However, what’s considered correct or polite conduct—for example, when greeting an elderly person, when using your knife and fork, or when determining how close to stand to someone you’re conversing with—can change over time and vary from society to society.

Although rules of etiquette are generally nonmoral in character, violations of those rules can have moral implications. For example, the male boss who refers to female subordinates as “honey” or “doll” shows bad manners. If such epithets diminish the worth of female employees or perpetuate sexism, then they also raise moral issues concerning equal treatment and denial of dignity to human beings. More generally, rude or impolite conduct can be offensive, and it may sometimes fail to show the respect for other persons that morality requires of us. For this reason, it is important to exercise care, in business situations and elsewhere, when dealing with unfamiliar customs or people from a different culture.

Scrupulous observance of rules of etiquette, however, does not make a person moral. In fact, it can sometimes camouflage ethical issues. In some parts of the United States sixty years ago, it was considered bad manners for blacks and whites to eat together. However, those who obeyed this convention were not acting in a morally desirable way. In the 1960s, black and white members of the civil rights movement sought to dramatize the injustice that lay behind this rule by sitting together in luncheonettes and

restaurants. Although judged at the time to lack good manners, they thought that this was a small price to pay for exposing the unequal treatment and human degradation underlying this rule of etiquette.

MORALITY AND LAW

Before distinguishing between morality and law, let's examine the term *law*. Basically, there are four kinds of law: statutes, regulations, common law, and constitutional law.

Statutes are laws enacted by legislative bodies. For example, the law that defines and prohibits reckless driving on the highway is a statute. Congress and state legislatures enact statutes. (Laws enacted by local governing bodies such as city councils are usually termed *ordinances*.) Statutes make up a large part of the law and are what many of us mean when we speak of “laws.”

Limited in their time and knowledge, legislatures often set up boards or agencies whose functions include issuing detailed regulations covering certain kinds of conduct—**administrative regulations**. For example, state legislatures establish licensing boards to formulate regulations for the licensing of physicians and nurses. As long as these regulations do not exceed the board's statutory powers and do not conflict with other kinds of law, they are legally binding.

Common law refers to the body of judge-made law that first developed in the English-speaking world centuries ago when there were few statutes. Courts frequently wrote opinions explaining the bases of their decisions in specific cases, including the legal principles those decisions rested on. Each of these opinions became a precedent for later decisions in similar cases. The massive body of precedents and legal principles that accumulated over the years is collectively referred to as “common law.” Like administrative regulations, common law is valid if it harmonizes with statutory law and with still another kind: constitutional law.

Constitutional law refers to court rulings on the requirements of the Constitution and the constitutionality of legislation. The U.S. Constitution empowers the courts to decide whether laws are compatible with the Constitution. State courts may also rule on the constitutionality of state laws under state constitutions. Although the courts cannot make laws, they have far-reaching powers to rule on the constitutionality of laws and to declare them invalid if they conflict with the Constitution. In the United States, the Supreme Court has the greatest judiciary power and rules on an array of cases, some of which bear directly on the study of business ethics.

People sometimes confuse legality and morality, but they are different things. On one hand, breaking the law is not always or necessarily immoral. On the other hand, the legality of an action does not guarantee that it is morally right. Let's consider these points further.

- 1. An action can be illegal but morally right.** For example, helping a Jewish family to hide from the Nazis was against German law in 1939, but it would have been a morally admirable thing to have done. Of course, the Nazi regime was vicious and evil. By contrast, in a democratic society with a basically just legal order, the fact that something is illegal provides a moral consideration against doing it. For example, one moral reason for not burning trash in your backyard is that it violates an ordinance that your community has voted in favor of. Some philosophers believe that sometimes the illegality of an action can make it morally wrong, even

Legality should not be confused with morality. Breaking the law isn't always or necessarily immoral, and the legality of an action doesn't guarantee its morality.

if the action would otherwise have been morally acceptable. But even if they are right about that, the fact that something is illegal does not trump all other moral considerations. Nonconformity to law is not always immoral, even in a democratic society. There can be circumstances where, all things considered, violating the law is morally permissible, perhaps even morally required.

Probably no one in the modern era has expressed this point more eloquently than Dr. Martin Luther King, Jr. Confined in the Birmingham, Alabama, city jail on charges of parading without a permit, King penned his now famous “Letter from Birmingham Jail” to eight of his fellow clergymen who had published a statement attacking King’s unauthorized protest of racial segregation as unwise and untimely. King wrote:

All segregation statutes are unjust because segregation distorts the soul and damages the personality. It gives the segregator a false sense of superiority and the segregated a false sense of inferiority. Segregation, to use the terminology of the Jewish philosopher Martin Buber, substitutes an “I-it” relationship for an “I-thou” relationship and ends up relegating persons to the status of things. Hence segregation is not only politically, economically, and sociologically unsound, it is morally wrong and sinful. . . . Thus it is that I can urge men to obey the 1954 decision of the Supreme Court,* for it is morally right; and I can urge them to disobey segregation ordinances, for they are morally wrong.⁵

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SUMMARY
 Morality must be distinguished from etiquette (rules for well-mannered behavior), from law (statutes, regulations, common law, and constitutional law), and from professional codes of ethics (the special rules governing the members of a profession).

2. An action that is legal can be morally wrong. For example, brokers are not legally required to act in their customers’ best interests, even when they are advising them on their retirement money.⁶ Yet it would be wrong of them to push their clients into investments that are bad for them in order to reap a commission. Likewise, it may have been perfectly legal for the chairman of a profitable company to lay off 125 workers and use three-quarters of the money saved to boost his pay and that of the company’s other top managers,⁷ but the morality of his doing so is open to debate.

Or, to take another example, suppose that you’re driving to work one day and see an accident victim sitting on the side of the road, clearly in shock and needing medical assistance. Because you know first aid and are in no great hurry to get to your destination, you could easily stop and assist the person. Legally speaking, though, you are not obligated to stop and render aid. Under common law, the prudent thing would be to drive on, because by stopping you could thus incur legal liability if you fail to exercise reasonable care and thereby injure the person. Many states have enacted so-called Good Samaritan laws to provide immunity from damages to those rendering aid (except for gross negligence or serious misconduct). But in most states, the law does not oblige people to give such aid or even to call an ambulance. Moral theorists would agree, however, that if you sped away without helping or even calling for help, your action might be perfectly legal but would be morally suspect. Regardless of the law, such conduct would almost certainly be wrong.

What then may we say about the relationship between law and morality? To a significant extent, law codifies a society’s customs, ideals, norms, and moral values. Changes in

*In *Brown v. Board of Education of Topeka* (1954), the Supreme Court struck down the half-century-old “separate but equal doctrine,” which permitted racially segregated schools as long as comparable quality was maintained.



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You come upon this scene—the car is smoking, and it is clear that an accident just took place. In most states, you are not legally obligated to stop and offer help to the victims.

law tend to reflect changes in what a society takes to be right and wrong, but sometimes changes in the law can alter people’s ideas about the rightness or wrongness of conduct. However, even if a society’s laws are sensible and morally sound, it is a mistake to see them as sufficient to establish the moral standards that should guide us. The law cannot cover all possible human conduct, and in many situations it is too blunt an instrument to provide adequate moral guidance. The law generally prohibits egregious affronts to a society’s moral standards and in that sense is the “floor” of moral conduct, but breaches of moral conduct can slip through cracks in that floor.

PROFESSIONAL CODES

Somewhere between etiquette and law lie **professional codes of ethics**. These are the rules that are supposed to govern the conduct of members of a given profession. Adhering to these rules is a required part of membership in that profession. Violation of a professional code may result in the disapproval of one’s professional peers and, in serious cases, loss of one’s license to practice that profession. Sometimes these codes are unwritten and are part of the common understanding of members of a particular profession—for example, that professors should not date their students. In other instances, these codes or portions of them may be written down by an authoritative body so they may be better taught and more efficiently enforced.

These written rules are sometimes so vague and general as to be of little value, and often they amount to little more than self-promotion by the professional organization. The same is frequently true when industries or corporations publish statements of their ethical standards. In other cases—for example, with attorneys—professional codes can be very specific and detailed. It is difficult to generalize about the content of professional codes of ethics, however, because they frequently involve a mix of purely moral rules (for

example, client confidentiality), of professional etiquette (for example, the billing of services to other professionals), and of restrictions intended to benefit the group's economic interests (for example, limitations on price competition).

Given their nature, professional codes of ethics are neither a complete nor a completely reliable guide to one's moral obligations. Not all the rules of a professional code are purely moral in character, and even when they are, the fact that a rule is officially enshrined as part of the code of a profession does not guarantee that it is a sound moral principle. As a professional, you must take seriously the injunctions of your profession, but you still have the responsibility to critically assess those rules for yourself.

Regarding those parts of the code that concern etiquette or financial matters, bear in mind that by joining a profession you are probably agreeing, explicitly or implicitly, to abide by those standards. Assuming that those rules don't require morally impermissible conduct, then consenting to them gives you some moral obligation to follow them. In addition, for many, living up to the standards of one's chosen profession is an important source of personal satisfaction. Still, you must be alert to situations in which professional standards or customary professional practice conflicts with ordinary ethical requirements. Adherence to a professional code does not exempt your conduct from scrutiny from the broader perspective of morality.

You should take seriously the code that governs your profession, but you still have a responsibility to assess its rules for yourself.

WHERE DO MORAL STANDARDS COME FROM?

So far you have seen how moral standards are different from various nonmoral standards, but you probably wonder about the source of those moral standards. Most, if not all, people have certain moral principles or a moral code that they explicitly or implicitly accept. Because the moral principles of different people in the same society overlap, at least in part, we can also talk about the moral code of a society, meaning the moral standards shared by its members. How do we come to have certain moral principles and not others? Obviously, many things influence what moral principles we accept: our early upbringing, the behavior of those around us, the explicit and implicit standards of our culture, our own experiences, and our critical reflections on those experiences.

For philosophers, though, the central question is not how we came to have the particular principles we have. The philosophical issue is whether those principles can be justified. Do we simply take for granted the values of those around us? Or, like Martin Luther King, Jr., are we able to think independently about moral matters? By analogy, we pick up our nonmoral beliefs from all sorts of sources: books, conversations with friends, movies, various experiences we've had. What is important, however, is not how we acquired the beliefs we have, but whether or to what extent those beliefs—for example, that women are more emotional than men or that telekinesis is possible—can withstand critical scrutiny. Likewise, ethical theories attempt to justify moral standards and ethical beliefs. The next chapter examines some of the major theories of normative ethics. It looks at what some of the major thinkers in human history have argued are the best-justified standards of right and wrong.

But first we need to consider the relationship between morality and religion on the one hand and between morality and society on the other. Some people maintain that morality just boils down to religion. Others have argued for the doctrine of *ethical relativism*, which says that right and wrong are only a function of what a particular society takes to be right and wrong. Both those views are mistaken.

For philosophers, the important issue is not where our moral principles came from, but whether they can be justified.

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RELIGION AND MORALITY

Any religion provides its believers with a worldview, part of which involves certain moral instructions, values, and commitments. The Jewish and Christian traditions, to name just two, offer a view of humans as unique products of a divine intervention that has endowed them with consciousness and an ability to love. Both these traditions posit creatures who stand midway between nature and spirit. On one hand, we are finite and bound to earth, not only capable of wrongdoing but also born morally flawed (original sin). On the other, we can transcend nature and realize infinite possibilities.

Primarily because of the influence of Western religion, many Americans and others view themselves as beings with a supernatural destiny, as possessing a life after death, as being immortal. One's purpose in life is found in serving and loving God. For the Christian, the way to serve and love God is by emulating the life of Jesus of Nazareth. In the life of Jesus, Christians find an expression of the highest virtue—love. They love when they perform selfless acts, develop a keen social conscience, and realize that human beings are creatures of God and therefore intrinsically worthwhile. For the Jew, one serves and loves God chiefly through expressions of justice and righteousness. Jews also develop a sense of honor derived from a commitment to truth, humility, fidelity, and kindness. This commitment hones their sense of responsibility to family and community.

Religion, then, involves not only a formal system of worship but also prescriptions for social relationships. One example is the mandate “Do unto others as you would have them do unto you.” Termed the “Golden Rule,” this injunction represents one of humankind’s highest moral ideals and can be found in essence in all the great religions of the world:

Good people proceed while considering that what is best for others is best for themselves. (*Hitopadesa*, Hinduism)

Thou shalt love thy neighbor as thyself. (*Leviticus* 19:18, Judaism)

Therefore all things whatsoever ye would that men should do to you, do ye even so to them. (*Matthew* 7:12, Christianity)

Hurt not others with that which pains yourself. (*Udanavarga* 5:18, Buddhism)

What you do not want done to yourself, do not do to others. (*Analects* 15:23, Confucianism)

No one of you is a believer until he loves for his brother what he loves for himself. (*Traditions*, Islam)

Although inspiring, such religious ideals are very general and can be difficult to translate into precise policy injunctions. Religious bodies, nevertheless, occasionally articulate positions on more specific political, educational, economic, and medical issues, which help mold public opinion on matters as diverse as abortion, the environment, national defense, and the ethics of scientific research. Roman Catholicism, in particular, has a rich history of formally applying its core values to the moral aspects of industrial

relations and economic life. Pope Francis's 2013 apostolic exhortation, "The Gospel of Joy," stands in that tradition. There and elsewhere, the Pope has rejected an "economy of exclusion" and criticized blind faith in a free market that perpetuates inequality—a message that some politicians in Washington are starting to listen to.⁸

MORALITY NEEDN'T REST ON RELIGION

The idea that morality must be based on religion can be interpreted in three different ways, none of which is very plausible.

Many people believe that morality must be based on religion, either in the sense that without religion people would have no incentive to be moral or in the sense that only religion can provide moral guidance. Others contend that morality is based on the commands of God. None of these claims is convincing.

First, although a desire to avoid hell and to go to heaven may prompt some of us to act morally, this is not the only reason or even the most common reason that people behave morally. Often we act morally out of habit or just because that is the kind of person we are. It would simply not occur to most of us to swipe an elderly lady's purse, and if the idea did occur to us, we wouldn't do it because such an act simply doesn't fit with our personal standards or with our concept of ourselves. We are often motivated to do what is morally right out of concern for others or just because it is right. In addition, the approval of our peers, the need to appease our conscience, and the desire to avoid earthly punishment may all motivate us to act morally. Furthermore, atheists generally live lives as moral and upright as those of believers.

Second, the moral instructions of the world's great religions are general and imprecise: They do not relieve us of the necessity of engaging in moral reasoning ourselves. For example, the Bible says, "Thou shall not kill." Yet Christians disagree among themselves over the morality of fighting in wars, of capital punishment, of killing in self-defense, of slaughtering animals, of abortion and euthanasia, and of allowing foreigners to die from famine because we have not provided them with as much food as we might have. The Bible does not provide unambiguous solutions to these moral problems, so even believers must engage in moral philosophy if they are to have intelligent answers. On the other hand, there are lots of reasons for believing that, say, a cold-blooded murder motivated by greed is immoral. You don't have to believe in a religion to figure that out.

Third, although some theologians have advocated the **divine command theory**—that if something is wrong (like killing an innocent person for fun), then the only reason it is wrong is that God commands us not to do it—many theologians and certainly most philosophers would reject this view. They would contend that if God commands human beings not to do something, such as commit rape, it is because God sees that rape is wrong, but it is not God's forbidding rape that makes it wrong. The fact that rape is wrong is independent of God's decrees.

Most believers think not only that God gives us moral instructions or rules but also that God has moral reasons for giving them to us. According to the divine command theory, this would make no sense. In this view, there is no reason that something is right or wrong, other than the fact that it is God's will. All believers, of course, believe that God is good and that God commands us to do what is right and forbids us to do what is wrong. But this doesn't mean, say critics of the divine command theory, that it is God's saying so that makes a thing wrong, any more than it is your mother's telling you not to steal that makes it wrong to steal.

All this is simply to argue that morality is not necessarily based on religion in any of these three senses. That religion influences the moral standards and values of most of us is beyond doubt. But given that religions differ in their moral beliefs and that even members of the same faith often disagree on moral matters, you cannot justify a moral judgment simply by appealing to religion—for that will only persuade those who already agree with your particular interpretation of your particular religion. Besides, most religions hold that human reason is capable of understanding what is right and wrong, so it is human reason to which you will have to appeal in order to support your ethical principles and judgments.

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ETHICAL RELATIVISM

Some people do not believe that morality boils down to religion but rather that it is merely a function of what a particular society happens to believe. This view is called **ethical relativism**, the theory that what is right is determined by what a culture or society says is right. What is right in one place may be wrong in another, because the only criterion for distinguishing right from wrong—and so the only ethical standard for judging an action—is the moral system of the society in which the act occurs.

Abortion, for example, is condemned as immoral in Catholic Ireland but is practiced as a morally neutral form of birth control in Japan. According to the ethical relativist, then, abortion is wrong in Ireland but morally permissible in Japan. The relativist is not saying merely that the Irish believe abortion is abominable and the Japanese do not; that is acknowledged by everyone. Rather, the ethical relativist contends that abortion is immoral in Ireland because the Irish believe it to be immoral and that it is morally permissible in Japan because the Japanese believe it to be so. Thus, for the ethical relativist there is no absolute ethical standard independent of cultural context, no criterion of right and wrong by which to judge other than that of particular societies. In short, what morality requires is relative to society.

Those who endorse ethical relativism point to the apparent diversity of human values and the multiformity of moral codes to support their case. From our own cultural perspective, some seemingly immoral moralities have been adopted. Polygamy, pedophilia, stealing, slavery, infanticide, and cannibalism have all been tolerated or even encouraged by the moral system of one society or another. In light of this fact, the ethical relativist believes that there can be no non-ethnocentric standard by which to judge actions.

Some thinkers believe that the moral differences between societies are smaller and less significant than they appear. They contend that variations in moral standards reflect differing factual beliefs and differing circumstances rather than fundamental differences in values. But suppose they are wrong about this matter. The relativist's conclusion still does not follow. A difference of opinion among societies about right and wrong no more proves that none of the conflicting beliefs is true or superior to the others than the diversity of viewpoints expressed in a college seminar establishes that there is no truth. In short, disagreement in ethical matters does not imply that all opinions are equally correct.

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SUMMARY

Morality is not necessarily based on religion. Although we draw our moral beliefs from many sources, for philosophers the issue is whether those beliefs can be justified.

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Ethical disagreement does not imply that all opinions are equally correct.

Moreover, ethical relativism has some unsatisfactory implications. *First*, it undermines any moral criticism of the practices of other societies as long as their actions conform to their own standards. We cannot say that slavery in a slave society like that of the American South 175 years ago was immoral and unjust as long as that society held it to be morally permissible.

Second, and closely related, is the fact that for the relativist there is no such thing as ethical progress. Although moralities may change, they cannot get better or worse. Thus, we cannot say that moral standards today are more enlightened than were moral standards in the Middle Ages.

Third, from the relativist's point of view, it makes no sense for people to criticize principles or practices accepted by their own society. People can be censured for not living up to their society's moral code, but that is all. The moral code itself cannot be criticized because whatever a society takes to be right really is right for it. Reformers who identify injustices in their society and campaign against them are only encouraging people to be immoral—that is, to depart from the moral standards of their society—unless or until the majority of the society agrees with the reformers. The minority can never be right in moral matters; to be right it must become the majority.

The ethical relativist is correct to emphasize that in viewing other cultures we should keep an open mind and not simply dismiss alien social practices on the basis of our own cultural prejudices. But the relativist's theory of morality doesn't hold up. The more carefully we examine it, the less plausible it becomes. There is no good reason for saying that the majority view on moral issues is automatically right, and the belief that it is automatically right has unacceptable consequences.

RELATIVISM AND THE "GAME" OF BUSINESS

In his essay "Is Business Bluffing Ethical?" Albert Carr argues that business, as practiced by individuals as well as by corporations, has the impersonal character of a game—a game that demands both special strategy and an understanding of its special ethical standards.⁹ Business has its own norms and rules that differ from those of the rest of society. Thus, according to Carr, a number of things that we normally think of as wrong are really permissible in a business context. His examples include conscious misstatement and concealment of pertinent facts in negotiation, lying about one's age on a résumé, deceptive packaging, automobile companies' neglect of car safety, and utility companies' manipulation of regulators and overcharging of electricity users. He draws an analogy with poker:

Poker's own brand of ethics is different from the ethical ideals of civilized human relationships. The game calls for distrust of the other fellow. It ignores the claim of friendship. Cunning deception and concealment of one's strength and intentions, not kindness and openheartedness, are vital in poker. No one thinks any the worse of poker on that account. And no one should think any the worse of the game of business because its standards of right and wrong differ from the prevailing traditions of morality in our society.¹⁰

What Carr is defending here is a kind of ethical relativism: Business has its own moral standards, and business actions should be evaluated only by those standards.

One can argue whether Carr has accurately identified the implicit rules of the business world (for example, is misrepresentation on one's résumé really a permissible

SUMMARY

Ethical relativism is the theory that right and wrong are determined by what one's society says is right and wrong.

There are many problems with this theory. Also dubious is the notion that business has its own morality, divorced from ordinary ideas of right and wrong.

move in the business game?), but let's put that issue aside. The basic question is whether business is a separate world to which ordinary moral standards don't apply. Carr's thesis assumes that any special activity following its own rules is exempt from external moral evaluation, but as a general proposition this is unacceptable. The Mafia, for example, has an elaborate code of conduct, accepted by the members of the rival "families." For them, gunning down a competitor or terrorizing a local shopkeeper may be a strategic move in a competitive environment. Yet we rightly refuse to say that gangsters cannot be criticized for following their own standards. Normal business activity is a world away from gangsterism, but the point still holds. Any specialized activity or practice will have its own distinctive rules and procedures, but the morality of those rules and procedures can still be evaluated.

Moreover, Carr's poker analogy is itself weak. For one thing, business activity can affect others—such as consumers—who have not consciously and freely chosen to play the "game." Business is indeed an activity involving distinctive rules and customary ways of doing things, but it is not really a game. It is the economic basis of our society, and we all have an interest in the goals of business (in productivity and consumer satisfaction, for instance) and in the rules business follows. Why should these be exempt from public evaluation and assessment? Later chapters return to the question of what these goals and rules should be. But to take one simple point, note that a business/economic system that permits, encourages, or tolerates deception will be less efficient (that is, work less well) than one in which the participants have fuller knowledge of the goods and services being exchanged.

In sum, by divorcing business from morality, Carr misrepresents both. He incorrectly treats the standards and rules of everyday business activity as if they had nothing to do with the standards and rules of ordinary morality, and he treats morality as something that we give lip service to on Sundays but that otherwise has no influence on our lives.

By divorcing business from morality, Carr misrepresents both.

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HAVING MORAL PRINCIPLES

At some time in their lives most people pause to reflect on their own moral principles and on the practical implications of those principles, and they sometimes think about what principles people should have or which moral standards can be best justified. (Moral philosophers themselves have defended different moral standards; Chapter 2 discusses these various theories.) When a person accepts a moral principle, when that principle is part of his or her personal moral code, then naturally the person believes the principle is important and well justified. But there is more to moral principles than that, as the philosopher Richard Brandt emphasized. When a principle is part of a person's moral code, that person is strongly motivated to act as the principle requires and to avoid acting in ways that conflict with the principle. The person will tend to feel guilty when his or her own conduct violates that principle and to disapprove of others whose behavior conflicts with it. Likewise, the person will tend to hold in esteem those whose conduct shows an abundance of the motivation required by the principle.¹¹

Other philosophers have, in different ways, reinforced Brandt's point. To accept a moral principle is not a purely intellectual act like accepting a scientific hypothesis or a

Accepting a moral principle is not a purely intellectual act like accepting a scientific hypothesis or a mathematical theorem.

mathematical theorem. Rather, it also involves a desire to follow that principle for its own sake, the likelihood of feeling guilty about not doing so, and a tendency to evaluate the conduct of others according to the principle in question. We would find it very strange, for example, if Sally claimed to be morally opposed to cruelty to animals yet abused her own pets and felt no inclination to protest when some ruffians down the street set a cat on fire.

CONSCIENCE

People can, and unfortunately sometimes do, go against their moral principles, but we would doubt that they sincerely held the principle in question if violating it did not bother their conscience. We have all felt the pangs of conscience, but what exactly is **conscience** and how reliable a guide is it? Our conscience, of course, is not literally a little voice inside us. To oversimplify a complex piece of developmental psychology, our conscience evolved as we internalized the moral instructions of the parents or other authority figures who raised us as children.

When you were very young, you were probably told to tell the truth and to return something you filched to its proper owner. If you were caught lying or being dishonest, you were probably punished—scolded, spanked, sent to bed without dinner, or denied a privilege. In contrast, truth telling and kindness to your siblings were probably rewarded—with approval, praise, maybe even hugs or candy. Seeking reward and avoiding punishment motivate small children to do what is expected of them. Gradually, children come to internalize those parental commands. Thus, they feel vaguely that their parents know what they are doing even when the parents are not around. When children do something forbidden, they experience the same feelings as when scolded by their parents—the first stirrings of guilt. By the same token, even in the absence of explicit parental reward, children feel a sense of self-approval about having done what they were supposed to have done.

As we grow older, of course, our motivations are not so simple and our self-understanding is greater. We are able to reflect on and understand the moral lessons we were taught, as well as to refine and modify those principles. As adults we are morally independent agents. Yet however much our conscience has evolved and however much our adult moral code differs from the moral perspective of our childhood, those pangs of guilt we occasionally feel still stem from that early internalization of parental demands.

THE LIMITS OF CONSCIENCE

How reliable a guide is conscience? People often say, “Follow your conscience” or “You should never go against your conscience.” Such advice is not very helpful, however. Indeed, it can sometimes be bad advice. *First*, when we are genuinely perplexed about what we ought to do, we are trying to figure out what our conscience ought to be saying to us. When it is not possible to do both, should we keep our promise to a colleague or come to the aid of an old friend? To be told that we should follow our conscience is no help at all.

Second, it may not always be good for us to follow our conscience. It all depends on what our conscience says. On the one hand, sometimes people’s consciences do not bother them when they should—perhaps because they didn’t think through the implications of what they were doing or perhaps because they failed to internalize strongly enough the appropriate moral principles. On the other hand, a person’s conscience might disturb the person about something that is perfectly all right.

Telling someone to “follow your conscience” is not very helpful, and sometimes it can be bad advice.

Consider an episode in Chapter 16 of Mark Twain's *The Adventures of Huckleberry Finn*. Huck has taken off down the Mississippi on a raft with his friend, the runaway slave Jim, but as they get nearer to the place where Jim will become legally free, Huck starts feeling guilty about helping him run away:

It hadn't ever come home to me before, what this thing was that I was doing. But now it did; and it stayed with me, and scorched me more and more. I tried to make out to myself that I warn't to blame, because I didn't run Jim off from his rightful owner; but it warn't no use, conscience up and says, every time: "But you knowed he was running for his freedom, and you could a paddled ashore and told somebody." That was so—I couldn't get around that, no way. That was where it pinched. Conscience says to me: "What had poor Miss Watson done to you, that you could see her nigger go off right under your eyes and never say one single word? What did that poor old woman do to you, that you could treat her so mean? . . ." I got to feeling so mean and miserable I most wished I was dead.

Here Huck is feeling guilty about doing what we would all agree is the morally right thing to do. But Huck is only a boy, and his pangs of conscience reflect the principles that he has picked up uncritically from the slave-owning society around him. Unable to think independently about matters of right and wrong, Huck in the end decides to disregard his conscience. He follows his instincts and sticks by his friend Jim.

The point here is not that you should ignore your conscience but that the voice of conscience is itself something that can be critically examined. A pang of conscience is like a warning. When you feel one, you should definitely stop and reflect on the rightness of what you are doing. But you cannot justify your actions simply by saying you were following your conscience. Terrible deeds have occasionally been committed in the name of conscience.

MORAL PRINCIPLES AND SELF-INTEREST

Sometimes doing what you believe would be morally right and doing what would best satisfy your own interests may be two different things. Imagine that you are in your car hurrying along a quiet road, trying hard to get to an important football game in time to see the kickoff. You pass an acquaintance who is having car trouble. He doesn't recognize you. As a dedicated fan, you would much prefer to keep on going than to stop and help him, thus missing at least part of the game. Although you might rationalize that someone else will eventually come along and help him out if you don't, deep down you know that you really ought to stop. **Self-interest**, however, seems to say, "Keep going."

Consider another example. You have applied for a new job, and if you land it, it will be an enormous break for you. It is exactly the kind of position you want and have been trying to get for some time. It pays well and will settle you into a desirable career for the rest of your life. The competition has come down to you and one other person, and you believe correctly that she has a slight edge on you. Now imagine that you could spread a nasty rumor about her that would guarantee that she wouldn't get the job, and that you could do this in a way that wouldn't come back to you. Presumably, circulating this lie would violate your moral code, but doing so would clearly benefit you.

Some people argue that moral action and self-interest can never really conflict. Although some philosophers have gone to great lengths to try to prove this, they are almost certainly mistaken. They maintain that if you do the wrong thing, then you will be caught, your conscience will bother you, or in some way "what goes around comes

SUMMARY

Accepting a moral principle involves a motivation to conform one's conduct to that principle. Violating the principle will bother one's conscience, but conscience is not a perfectly reliable guide to right and wrong.

around,” so that your misdeed will come back to haunt you. This is often correct. But unfortunate as it may be, sometimes—viewed just in terms of personal self-interest—it may pay off for you to do what you know to be wrong. People sometimes get away with their wrongdoings, and if their conscience bothers them at all, it may not bother them very much. To believe otherwise not only is wishful thinking but also shows a lack of understanding of morality.

Morality restrains our self-interested desires. A society's moral standards allow conflicts to be resolved by an appeal to shared principles of justification.

Morality serves to restrain our purely self-interested desires so we can all live together. The moral standards of a society provide the basic guidelines for cooperative social existence and allow conflicts to be resolved by an appeal to shared principles of justification. If our interests never came into conflict—that is, if it were never advantageous for one person to deceive or cheat another—then there would be little need for morality. We would already be in heaven. Both a system of law that punishes people for hurting others and a system of morality that encourages people to refrain from pursuing their self-interest at great expense to others help make social existence possible.

Usually, following our moral principles is in our best interest. This idea is particularly worth noting in the business context. Recently, a number of business theorists have argued persuasively not only that moral behavior is consistent with profitability but also that the most morally responsible companies are among the most profitable.¹² Apparently, respecting the rights of employees, treating suppliers fairly, and being straightforward with customers pay off.

But notice one thing. If you do the right thing only because you think you will profit from it, you are not really motivated by moral concerns. Having a moral principle involves having a desire to follow the principle for its own sake—simply because it is the right thing to do. If you do the right thing only because you believe it will pay off, you might just as easily not do it if it looks as if it is not going to pay off.

In addition, there is no guarantee that moral behavior will always benefit a person in strictly selfish terms. As argued earlier, there will be exceptions. From the moral point of view, you ought to stop and help your acquaintance, and you shouldn't lie about competitors. From the selfish point of view, you should do exactly the opposite. Should you follow your self-interest or your moral principles? There's no final answer to this question. From the moral point of view, you should, of course, follow your moral principles. But from the selfish point of view, you should look out solely for “number one.”

Which option you choose will depend on the strength of your self-interested or self-regarding desires in comparison with the strength of your other-regarding desires (that is, your moral motivations and your concern for others). In other words, your choice will depend on your character, on the kind of person you are, which depends in part on how you were raised. A person who is basically selfish will pass by the acquaintance in distress and will spread the rumor, whereas someone who has a stronger concern for others, or a stronger desire to do what is right just because it is right, will not.

When morality and self-interest conflict, what you choose to do will depend on the kind of person you are.

Although it may be impossible to prove to selfish people that they should not do the thing that best advances their self-interest (because if they are selfish, then that is all they care about), there are considerations that suggest it is not in a one's overall self-interest to be a selfish person. People who are exclusively concerned with their own interests tend to have less happy and less satisfying lives than those whose desires extend beyond themselves. This is usually called the **paradox of hedonism**, but it might equally well be dubbed the “paradox of selfishness.” Individuals who care only about their own

happiness will generally be less happy than those who care about others. Moreover, people often find greater satisfaction in a life lived according to moral principle, and in being the kind of person that entails, than in a life devoted solely to self-gratification. Thus, or so many philosophers have argued, people have self-interested reasons not to be so self-interested. How do selfish people make themselves less so? Not overnight, obviously, but by involving themselves in the concerns and cares of others, they can in time come to care sincerely about those persons.

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MORALITY AND PERSONAL VALUES

It is helpful to distinguish between morality in a narrow sense and morality in a broad sense. In a narrow sense, morality is the moral code of an individual or a society (insofar as the moral codes of the individuals making up that society overlap). Although the principles that constitute our code may not be explicitly formulated, as laws are, they do guide us in our conduct. They function as internal monitors of our own behavior and as a basis for assessing the actions of others. **Morality in the narrow sense** concerns the principles that do or should regulate people's conduct and relations with others. These principles can be debated, however. (Take, for example, John Stuart Mill's contention that society ought not to interfere with people's liberty when their actions affect only themselves.) And a large part of moral philosophy involves assessing rival moral principles. This discussion is part of the ongoing development in our moral culture. What is at stake are the basic standards that ought to govern our behavior—that is, the fundamental framework or ground rules that make coexistence possible. If there were not already fairly widespread agreement about these principles, our social order would not be sustainable.

In addition we can talk about our **morality in the broad sense**, meaning not just the principles of conduct that we embrace but also the values, ideals, and aspirations that shape our lives. Many different ways of living our lives would meet our basic moral obligations. The type of life each of us seeks to live reflects our individual values—whether following a profession, devoting ourselves to community service, raising a family, seeking solitude, pursuing scientific truth, striving for athletic excellence, amassing political power, cultivating glamorous people as friends, or some combination of these and many other possible ways of living. The life that each of us forges and the way we understand that life are part of our morality in the broad sense of the term.

It is important to bear this in mind throughout your study of business ethics. Although this book's main concern is with the principles that ought to govern conduct in certain business-type situations—for example, whether a hiring officer may take an applicant's race into account, whether insider trading is wrong, or whether corporate bribery is permissible in countries where people turn a blind eye to it—your choices in the business world will also reflect your other values and ideals or, in other words, the kind of person you are striving to be. What sort of ideal do you have of yourself as a businessperson? How much weight do you put on profitability, for instance, as against the quality of your product or the socially beneficial character of your service?

The decisions you make in your career and much of the way you shape your working life will depend not only on your moral code but also on the understanding you have

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SUMMARY

Part of the point of morality is to make social existence possible by restraining self-interested behavior. Sometimes doing what is morally right can conflict with one's personal interests. In general, though, following your moral principles will enable you to live a more satisfying life.

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