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1 Ethical Principles and Business Decisions

Learning Objectives

After completing this chapter, you should be able to:

- Describe moral objectivism, moral relativism, and divine command theory.
- Explain the theories of psychological egoism and psychological altruism, and the relation between gender and morality.
- Explain how virtue theory, duty theory, and utilitarianism provide standards of morality.
- Describe the relation between morality and government in social contract theory, human-rights theory, and the four principles of governmental coercion.

Chapter Outline

1.1 Introduction

Some jobs have higher moral reputations than others, and national surveys are routinely conducted to reveal public attitudes about various professions. One poll asked people to rate the honesty and ethical standards of people in different fields (Jones, 2010). The results of the survey were as follows (the numbers indicated the percentage of those surveyed who ranked the respective vocations very high in terms of honesty and ethical standards):

Nurses: 81%	Bankers: 23%
Military officers: 73%	TV reporters: 23%
Druggists, pharmacists: 71%	Newspaper reporters: 22%
Grade school teachers: 67%	Local officeholders: 20%
Medical doctors: 66%	Lawyers: 17%
Police officers: 57%	Business executives: 15%
Clergy: 53%	State officeholders: 12%
Day care providers: 47%	Advertising practitioners: 11%
Judges: 47%	Members of Congress: 9%
Auto mechanics: 28%	Lobbyists: 7%
Nursing home operators: 26%	Car salespeople: 7%

There is a clear pattern here. The highest ranking professions involve helping people, and nurses, who are at the very top, are clear examples. Among the lowest ranking occupations are those associated with the business world: bankers, business executives, advertisers, and, at the very bottom, car salespeople.

What is it that makes us have such low opinions of the moral integrity of the business world? Part of it may be that, in contrast with nurses, businesses have the reputation of caring only for themselves and not for others. Part of it may also be that the competitive nature of business pushes even the most decent of people to put profits above responsibility to the public. The concept of business ethics is by no means new; in fact, some of the earliest written documents in human civilization wrestle with these issues. The Mesopotamian Code of Hammurabi, from almost 4,000 years ago, had this to say about the responsibility of building contractors:

> If a builder build a house for some one, even though he has not yet completed it; if then the walls seem toppling, the builder must make the walls solid from his own means.
>
> . . .
>
> If a shipbuilder build a boat for some one, and do not make it tight, if during that same year that boat is sent away and suffers injury, the shipbuilder shall take the boat apart and put it together tight at his own expense. (trans. 1915 by L. W. King, sections 233 and 235; see http://www.fordham.edu/halsall/ancient/hamcode.asp#text)

This entire book is devoted to understanding the ethical challenges that businesses face and what can be done to meet those challenges. In this chapter, we will explore several basic and time-tested principles of morality. Some of history's greatest minds have reflected on the nature of morality and devised theories of where morality comes from and how moral principles should guide our conduct. Many of these principles have direct application to ethical issues within business, and we will explore that connection.

1.2 Where Moral Values Come From

A good definition of **ethics** is that it is an organized analysis of values relating to human conduct, with respect to their rightness and wrongness. Ethics is not the same as *etiquette*, which merely involves customary codes of polite behavior, such as how we greet people and how we seat guests at a table. The issue in ethics is not what is polite, but what is obligatory. *Ethics* is closely related to *morality*, and although some ethicists make subtle distinctions between the two, they are more often used interchangeably, as will be done throughout this book.

One of the most basic ethical issues involves an understanding of where our moral values come from. Consider the moral mandates that we should not kill, steal, or lie. Are these universal and unchanging truths that are somehow embedded in the fabric of the universe, or are they changeable guidelines that we humans have created ourselves to suit our needs of the moment? The question of where our moral values come from often involves two issues: The first is a debate between objectivism and relativism, and the second concerns the relation between morality and religion. We will look at each of these.

Moral Objectivism and Moral Relativism

Some years ago, the Lockheed Corporation was caught offering a quarter of a billion dollars in bribes overseas. A major U.S. defense contractor, Lockheed fell on economic hard times. The U.S. government commissioned the company to design a hybrid aircraft, but after one crashed, the government canceled orders. Because of this and other mishaps, Lockheed believed that the solution to its financial woes was to expand its aircraft sales into foreign countries. To get military aircraft contracts with foreign governments, it made a series of payoffs to middlemen who had political influence in West Germany, Japan, Saudi Arabia, and several other countries. The company was eventually caught and punished with a heavy fine, and its chairman and president were forced to resign. A consequence of this event was the creation of the U.S. **Foreign Corrupt Practices Act**, which includes an anti-bribery provision that involves stiff fines and prison terms for offenders. The message of the law was that, when in Rome, you should *not* do as the Romans do. There are overarching standards of ethical conduct that business are expected to follow, regardless of where they are in the world and what the local business practices are there.

When Lockheed engaged in systematic bribery, did it violate a universal standard of morality that is binding on all human societies, or did it just violate a standard of morality that is merely our personal preference in the United States? On the one side of this question is the theory of **moral objectivism**, which has three key components:

1. *Morality is objective*: Moral standards are not created by human beings or human societies. According to many objectivists, they exist in a higher spirit realm that is completely apart from the physical world around us.
2. *Moral standards are unchanging*: Moral standards are eternal and do not change throughout time or from location to location. No matter where you are in the world or at what point in history, the same principles apply.
3. *Moral standards are universal*: There is a uniform set of moral standards that is the same for all people, regardless of human differences like race, gender, wealth, and social standing.

The classic champion of this view is the ancient Greek philosopher Plato (424 BCE–347 BCE), who argued that moral truths exist in a higher level of reality that is spiritual in nature. According to Plato, the universe as a whole is two-tiered. There is the lower physical level that consists of rocks, trees, human bodies, and every other material object that we see around us. All of this is constantly changing, either decaying or morphing into something else. Within this level of the universe, nothing is permanent.

On the other hand, Plato argued, there is a higher level of the universe, which is nonphysical and is the home of eternal truths. He called this the realm of the *forms*, which are perfect patterns or blueprints for all things. Mathematical principles are good examples. They are completely unchanging and in no way dependent for their existence on the changing physical world. Even if the entire physical universe were destroyed, and another emerged, the principles of mathematics would remain the same, unchanged.

According to Plato, moral principles are just like mathematical principles in that respect, and they also exist in the higher realm of the forms. Just as the principle that $1 + 1 = 2$ exists permanently in this realm, so too do moral principles of goodness, justice, charity, and many others. The greatest appeal of Plato's theory is that it gives us a sense of moral stability. When someone is murdered, we often believe that an absolute and unchanging moral principle has been violated

that goes well beyond the shifting preferences of our particular human community.

On the other side of this dispute is the theory of **moral relativism**, which has three contrasting key features:

1. *Morality is not objective*: Moral standards are purely human inventions, created by either individual people or human societies.
2. *Moral standards are not unchanging*: Moral standards change throughout time and from society to society.
3. *Moral standards are not universal*: Moral standards do not necessarily apply universally to all people, and their application depends on human preference.

Defenders of moral relativism are typically skeptical about the existence of any higher realm of absolute truth, such as Plato's realm of the forms. Although notions of eternal moral truths are appealing, the fact is, says the moral relativist, we do not have any direct experience that such higher realms exist. What we know for sure is the physical world around us, which contains societies of human beings that are ever-changing. The moral values that we see throughout these societies are ones that are created by human preference and change throughout history and with geographical location. Simply put, morality is a human creation, not an eternal truth.

Associated Press/Jim Mone

Many hospitals have password protected medication cabinets to prevent drug theft. But is stealing always wrong? Would your answer change if you knew the person stealing the drug needed it for her cancer treatment? What if she were stealing it for her child?

Between moral objectivism and moral relativism, which is right? Some philosophical questions are not likely to be answered any time soon, and this is one of them. However, we can take inspiration from both sides of the debate. With the Lockheed bribery incident, the position of the U.S. government was that there is a standard of integrity in business that applies worldwide, not just within U.S. borders. This is a concession to moral objectivism. On the other hand, some business practices are culturally dependent. In Japan, new businesses typically have an opening ceremony in which a Shinto priest blesses the company building. U.S. companies operating in Japan often follow this practice, and this is a concession to moral relativism.

Religion and Morality

An organization called the Center for Christian Business Ethics Today offers a Christian approach to ethical issues in business. According to the organization, God is the ultimate source of moral values: "God's standards as set forth in God's Word, the Bible, transcend while incorporating both the law and ethics" (Center for Christian Business Ethics Today, n.d.). This view is by no means unique, and is in fact part of a long history of efforts to ground morality in some aspect of religion. According to the classic view of religious ethics, true morality does not emerge from human thought processes or human society alone. It begins with God establishing moral truths, instilling moral

convictions within human nature, and reinforcing those moral truths through scripture. Religious believers who follow God's path will be motivated to follow God's established moral truths, perhaps more so than non-believers who view ethics as a purely human invention. This classic view of religious ethics raises two questions:

1. Is God the creator of moral values?
2. Do religious believers have better access to moral truth than non-believers?

Regarding the first question—whether God creates moral values—a position called **divine command theory** answers yes: Moral standards are created by God's will. God in essence creates them from nothing, not even basing them on any prior standard of reason or logic. God pronounces them into existence through a pure act of will. There are two challenges that divine-command theory faces:

1. It presumes in the first place that God exists, and that is an assumption that non-believers would reject from the start. Many religious believers themselves would hold that belief in God is a matter of personal faith, not absolute proof, and so we must be cautious about the kinds of activities that we ascribe to God, such as creating absolute moral truths.
2. The moral standards that God willfully creates would be arbitrary if they were made purely from scratch, without relying on any prior standard of reason. What would prevent God from willfully creating a random set of moral values, which might include principles like "lying is OK" or "stealing is OK"? God could also willfully change his mind about which moral principles he commands. Maybe he could mandate that stealing is wrong on Monday, Wednesday, and Friday, but that stealing is OK during the rest of the week.

Many ethicists throughout history—even ones who were devout religious believers—have rejected divine command theory for this reason. To avoid arbitrariness, it seems that morality would need to be grounded in some stable rational standard, such as with Plato's view of absolute moral truths. That is, God would merely endorse these absolute moral truths since they seem rationally compelling to him; and he does not literally create them from nothing. If morality, then, is really grounded in preexisting truths, then we humans can discover them on our own, and do not need to depend on God for our moral knowledge.

Voltaire (1694–1778), the French philosopher who famously stated that "if God did not exist, it would be necessary to invent him."

Again, the second question raised by the classic view of religious ethics is whether believers have better access to moral truth than non-believers. The answer to this throughout much of history was yes: Religion is an essential motivation for moral conduct. To behave properly, people need to believe that a divine being is watching them and will punish them in the afterlife for immoral conduct. The French moral philosopher Voltaire (1694–1778) famously stated that "if God did not exist, it would be necessary to invent him," precisely because moral behavior depends so much on belief in divine judgment (quoted in Gay 1988, pg. 265). In more recent times, this position has fallen out of favor, and there is wider acceptance of the view that believers are not necessarily more moral than non-believers.

One reason for this change in attitude is that our society as a whole has become much more secularized than Voltaire's was, and, from our experience, non-believers do not appear to be particularly bad citizens. Also, it appears that believers fall into the same moral traps as everyone else.

The upshot is that both components of classic religious ethics are difficult to establish: It is not clear that God creates moral values, assuming that God exists, and it is not clear that believers have a special advantage in following moral rules. It is undeniable that, for many believers, religion is an important source of moral inspiration, and that fact should not be minimized. Undoubtedly, this is true for the members of the Center for Christian Business Ethics Today. At the same time, though, there are plenty of nonreligious motivations to do the right thing, such as a fear of going to jail, a desire to be accepted by one's family and friends, or a sense of personal integrity. In the business world there are additional motivations to be moral, such as the desire to avoid lawsuits, costly fines, or tarnishing the company name.

1.3 Ethics and Psychology

An important set of ethical issues involves our psychological makeup as human beings. There is no doubt that our personal expectations, desires, and thought processes have an impact on what motivates us to behave morally. In this section, we will look at two issues of moral psychology; one focuses on our psychological inclination to be selfish, and the other on how gender shapes our moral outlook.

Egoism and Altruism

When the U.S. Gulf Coast was pummeled by Hurricane Katrina, the home-improvement company Lowe's donated millions of dollars and coordinated busloads of volunteers to help with the cleanup. Working alongside the nonprofit organization Habitat for Humanity, they helped rebuild homes for people across the Gulf Coast region. Since the time of Katrina, Lowe's has continued the practice of partnering with charitable organizations to help rebuild disaster-stricken areas. Why do they do this? Is it purely from a sense of goodwill towards those in need, or do they expect to get some benefit out of it, such as free publicity? We can ask this same kind of question about our conduct as individuals: Are we capable of acting solely for the benefit of others, or do we always act in ways that ultimately benefit ourselves? There are two competing theories that address this question:

- **Psychological egoism**: Human conduct is selfishly motivated and we cannot perform actions from any other motive.
- **Psychological altruism**: Human beings are at least occasionally capable of acting selflessly.

Both of these theories are "psychological" in the sense that they are making claims about what motivates human behavior.

Psychological egoism maintains that all of our actions, without exception, are motivated by some selfish drive. Even when I am doing something, like donating to charity, that appears to be purely for the benefit of someone else, there are hidden selfish motives at work within me and I am only acting to benefit myself. Maybe through my charitable action I secretly hope that I will receive a Citizen of the Year award. Maybe I desire to hear the recipient of my charity thank me with gushing words of appreciation so that I can feel good about myself. The English philosopher Thomas

Associated Press/Shane Bevel

Do companies like Lowe's, which donated supplies such as this shipment of water to Hurricane Katrina victims, act charitably out of a sense of goodwill towards those in need, or do they expect to get some other benefit out of it?

Hobbes (1588–1679) argued that all acts of charity could be reduced to our private desire to exercise control over other people's lives. For Hobbes, I am the one who decides whether a poor person will have enough food to eat today, and I am on a private power trip if I help that person out (1650/1811 *Human Nature*). A psychological egoist would look at Lowe's with similar suspicion: Their public acts of charity are great public-relations tools that associate their name and products with social responsibility. Through press releases and advertisements, Lowe's spreads the news of its charitable work far and wide.

The rival theory of psychological altruism concedes that much of our human conduct is indeed motivated by selfish desire. But, according to the altruist, there is more going on with us psychologically than just that. We have the capacity to break free of the grip that selfishness has on us and at least occasionally act purely for the betterment of other people. Perhaps we have an instinct of human kindness that exhibits itself when we see people who are truly in need. Our hearts go out to them and we want to help, regardless of whether there is any benefit to ourselves. Maybe some of that is behind Lowe's charitable programs. Its corporate officers and managers are personally moved by tragedies such as Katrina and recognize that Lowe's has unique resources to help. The public relations benefit it gains from those acts is secondary, and the spark that ignites its charitable response is genuine concern.

Like the dispute between objectivism and relativism, this debate between psychological egoism and altruism will not be resolved any time soon. But even if psychological egoists are correct that all of our actions are selfishly motivated, the fact remains that human beings do perform acts of charity, and, morally speaking, it is good for us to do so. What matters is that Lowe's engages in charitable projects, regardless of whether their main motivation is to bolster their corporate image.

Gender and Morality

A recent study suggested that businesses led by women place a higher value on social responsibility than do those led by men. According to the director of the study, "women are taking the lead in showing that profit and social responsibility can go hand-in-hand" (Llanza, 2011). Women tend to look for a balance between profits and non-economic goals such as environmental sustainability, charity, and community involvement. Do businessmen and businesswomen really have differing attitudes about the role of ethics within their companies?

Underlying this question is the issue of whether men and women generally speaking have different ways of thinking about morality. The long standing assumption about morality has been that

there is only one way of thinking about it, regardless of gender. There are moral rules that guide our conduct; we all need to learn those rules and follow them in our behavior. It is much like any other task that we perform: If I am playing a sport, performing on a musical instrument, or operating a circular saw, there are clear rules for how I should proceed. If I do not follow those rules, then I will not be good at the task. So too with morality: We all need to understand the rules of ethics and follow them in order to be morally good people.

However, in recent years, this one-size-fits-all assumption about morality has been called into question based on a reexamination of the different psychological tendencies of men and women. Consider the types of college majors that attract men and women, respectively. Some are very male dominated, such as mathematics, physics, and engineering. Others are dominated by women, such as psychology, social work, nursing, and education. This suggests that men have a thought process that emphasizes rules and are thus attracted to those disciplines that emphasize them. Women, by contrast, place greater value on nurturing and caring for others and are thus attracted to those disciplines. It may well be that these gender issues are operating on our conceptions of morality: For men, morality mainly involves following rules, and for women, it mainly involves caring for others.

A recent theory called **care ethics** advances this view, maintaining that women see morality as the need to care for people who are in situations of vulnerability and dependency. They are not suggesting that we should leave the task of caring and nurturing to women, while letting men adhere to their rule-following inclinations. Rather, the task of moral care falls upon all of us, although we should expect women to place greater emphasis on this than men.

Associated Press/Manuel Balce Ceneta

In this 2009 photo, first lady Michelle Obama stands at the Capital Area Food Bank with Jill Biden (left) and Vicki Escarra (right). Escarra was the chief marketing officer of Delta Air Lines before becoming the CEO of Feeding America, "the nation's leading domestic hunger-relief charity" (Feeding America, n.d.). Within the business world, are women are more predisposed to integrate social concern with profit-driven business goals?

Within the business world, it may well be that women are more predisposed to integrate social concern with profit-driven business goals, as the study mentioned before suggests. But again, this does not mean that socially responsible conduct should be left to women. Rather, men may just need to try harder at integrating ethical values into business planning.

1.4 Moral Standards

So far we have looked at where morality comes from and how it is shaped by human psychology. Although these theories are important for telling us about the nature of morality, they do not necessarily tell us how we should behave, and what the moral standards are that we should follow.

We turn next to that issue and explore three approaches to moral standards: virtue theory, duty theory, and utilitarianism.

Virtues

One of the strangest business stories in recent years is that of Bernard Madoff, who scammed investors out of $65 billion in a Ponzi scheme. He started out as a small-time investment manager, but, courting wealthy investors from around the globe, he eventually built his roster of clients up to 4,800. Offering a steady return of about 10% per year, he covered these payouts with money coming in from new investors. But when his clients rushed to withdraw $7 billion during a major stock-market decline, he could not cover those expenses and he confessed to the fraud.

The humiliation for Madoff's whole family was so great that he and his wife attempted suicide, and shortly afterward their son did kill himself. When we look at Madoff as a human being, we see that his immoral business conduct was a consequence of his flawed character. His desire for money, power, and a lavish lifestyle became so excessive that it created a trap for him from which he could not break free. He had what moral philosophers call vices: bad habits of character that result in a serious moral failing. He was unjust, deceitful, intemperate, overambitious, and immodest. What Madoff lacked were **virtues**—the opposite of vices—which are good habits of character that result in morally proper behavior. He did not have the virtues of justice, truthfulness, temperance, restraint, and modesty.

Jeff Daly/Picture Group via AP Images

This 2011 photo shows rows of Bernie Madoff's shoes, which U.S. marshals put up for auction, along with many of his other belongings, to help repay the victims of his crimes.

Virtue theory is the view that morality is grounded in the virtuous character traits that people acquire. The ancient Greek philosopher Aristotle (384 BCE–322 BCE) developed the most influential analysis of virtues, which even today is considered the standard view of the subject (trans. 2002 by J. Sachs). It all begins with our natural urges. For example, we all have natural desires for pleasure, and we automatically gravitate towards pleasurable activities such as entertainment, romance, eating, and even social drinking. With each of these pleasurable activities, though, there are three distinct habits that we can develop. On the one hand, we might eat too much, drink too much, and become addicted to all sorts of pleasurable activities. This is the vice of overindulgence. At the opposite extreme, we might reject every form of pleasure that comes our way, and live like monks locked in their monastery cells. This is the vice of insensibility, insofar as we have become desensitized to the happiness that pleasures can bring us. There is, though, a third habitual response to pleasure that stands midway between these two extremes: We can enjoy a wide range of pleasures in moderate amounts, and this is the virtue of temperance.

According to Aristotle, most virtues and vices match this scheme:

- There is a natural urge,
- there is a vice of excess,
- there is a vice of deficiency, and
- there is a virtue at the middle position between the two extremes.

Take the virtue of courage, which is driven by our natural fear of danger. If we go to an excess, we develop the vice of rashness, where we lose all fear of danger and rush into hazardous situations that might kill us. If we are deficient in courage, we become timid and develop the vice of cowardliness. The virtuous middle ground of courage is one in which we respect the dangers before us but, when the circumstances are right, we rise above our fears.

A large part of our childhood involves cultivating virtuous habits and avoiding vicious ones, and during our formative years our parents bear much of the responsibility to shape us in virtuous directions. As I become older, though, the responsibility becomes mine alone, and I must think carefully about exactly where that virtuous middle ground is. How much habitual eating can I do before I become overindulgent? How much can I habitually hide from danger before I become a coward? Finding that perfect middle ground, Aristotle says, is not easy, but it is something that the moral person must figure out nonetheless. Madoff did not even come close. His desires for wealth, power, and fame were so all-consuming that the virtue of temperance became out of reach for him.

Duties

A small computer software company named Plurk accused the software giant Microsoft of computer code theft. The product in question was blogging software that Microsoft developed for its market in China and which it hoped would catch hold in that country the way Facebook has in the United States. Around 80% of the computer code for Microsoft's product was lifted directly from blogging software created by Plurk. Microsoft apologized for the episode and said that the fault rested with an outside company it had hired to develop the blogging software. It was that outside company that copied Plurk's computer code (Nystedt, 2009). The irony is that Microsoft zealously guards against software piracy and code theft of its own products, but here it did that very thing, even if only indirectly. In this situation, there was no moral gray area: Theft is wrong, the evidence for code theft was incontestable, and Microsoft had no choice but to immediately admit to it and apologize.

This Microsoft case highlights the fact that there are at least some principles of morality that we all clearly recognize and endorse. One moral theory in particular emphasizes the obvious and intuitive nature of moral principles. **Duty theory** is the position that moral standards are grounded in instinctive obligations—or duties—that we have. It is also called *deontological* theory, from the Greek word for *duty*. The idea behind duty theory is that we are all born with basic moral principles or guidelines embedded in us, and we use these to judge the morality of people's actions.

There are two approaches to duty theory. First, some moral theorists hold that we have a long catalog of instinctive obligations. The list of the Ten Commandments is a classic example. Among those listed are obligations not to kill, steal, bear false witness, or covet your neighbor's things. These are all basic moral principles that cultures around the world have endorsed from the earliest

times. If you are thinking about stealing your neighbor's car, these principles tell you that it would be wrong to do so. With enough principles like these, we will have some standard for judging a wide range of human actions. Many moral philosophers have developed and expanded the list of our intuitive duties beyond the Ten Commandments to include a few dozen of them.

The second approach is that there is a single instinctive principle of duty that we all should follow; the Golden Rule is the best example of this. That is, I should do to others what I would want them to do to me. If I am thinking about stealing someone's car, I should consider whether I would want someone to steal my car. If I am thinking about lying to someone, I should consider whether I would want someone to lie to me. So too with good actions: When considering whether I should donate to charity, I should consider how I would feel if I were a needy person dependent on the charity of others. Like those in the Ten Commandments, the Golden Rule is a time-honored moral principle that we find in cultural traditions around the world, dating back thousands of years.

In more recent times, one of the most influential theories of duty is that developed by the German philosopher Immanuel Kant (1724–1804). Inspired by the Golden Rule, Kant offered a single principle of moral duty, which he called the "categorical imperative"—a term which simply means "absolute command" (1785/1996). The **categorical imperative**, for Kant, was this: Treat people as an end, and never merely as a means to an end. His point was that we should treat all people as beings that have value in and of themselves, and not treat anyone as a mere instrument for our own advantage.

There are two parts to his point. The first involves treating people as ends that have value in and of themselves. We value many things in life, such as our cars, our homes, and a good job. Most of the things we value, though, have only *instrumental value*, that is, value as a means for achieving something else. Our cars are instruments of transportation. Our homes are instruments of shelter. Our jobs are instruments of obtaining money.

Immanuel Kant (1724–1804), the German philosopher who developed the moral principle of the categorical imperative, stating that we should treat people as an end, and never merely as a means to an end.

Other times, though, we appreciate things because they have *intrinsic value*: We value them for the special qualities that they have in and of themselves, and not because of any instrumental value that they have. Human happiness has intrinsic value, and so too do experiences of beauty and friendship. The first part of the categorical imperative, then, says that we should treat all people as beings with intrinsic value and regard them as highly as we would our own happiness. If I steal someone's car, I am not respecting the owner the way I value my own happiness. The second part of the categorical imperative is that we should not treat people as things that have mere instrumental value. People are not tools or objects that we should manipulate for our own gratification. If steal a car, I am using the owner for my own gain.

Like the Golden Rule, the categorical imperative provides a litmus test for determining whether any action is right or wrong. It not only detects immoral actions such as lying and stealing, but it also tells us when actions are moral. When I donate to charity, for example, I am thinking of the value of the needy people who will benefit from my contribution; I am not merely thinking of any benefit that I may receive through my charity.

In the business world, there are occasionally times when an action is so obviously wrong that there is no point in defending it. That was true of Microsoft and also of Madoff, who immediately admitted to his crime once his company became insolvent. In cases like these, duty theory is at its best. In other cases, though, morality is a little more blurry. Napster is a good example. Napster was the first widely used peer-to-peer file-sharing program, and it enabled users to easily pirate MP3 music files, directly violating the copyrights of record companies. While this at first appears to be a clear case of a software product that intentionally enabled users to steal, many people within the music industry itself defended Napster. Record companies had become stuck in their old ways of selling records and CDs and had not developed a good mechanism for consumers to purchase MP3 files separately at a reasonable price. Napster entered the music market as a rogue competitor, and forced record companies to be more responsive to the needs of their consumers. In a sense, Napster was a positive force within the music industry. Duty theory may not be well suited for making moral pronouncements in complex cases like Napster's; other moral theories discussed in this chapter may need to be drawn upon.

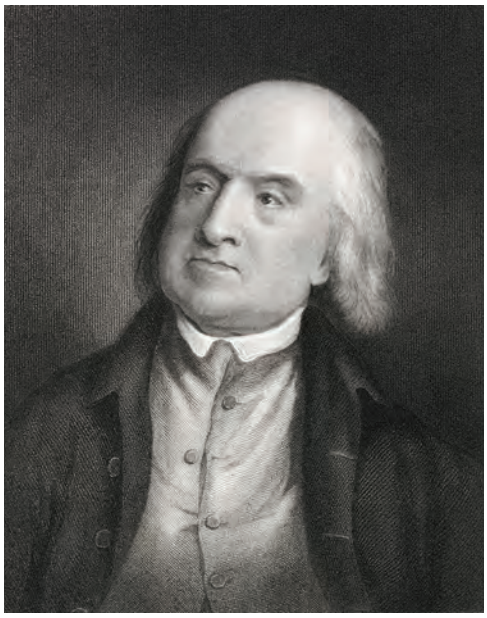
Utilitarianism

Some years ago, a pesticide factory in Bhopal, India, owned by Union Carbide, exploded, killing 2,500 people and injuring an additional 300,000. The active ingredient for the pesticide was stored in 600-gal tanks. The size of the tanks themselves was a problem. Larger tanks are economically efficient, since they hold more gas, but they pose greater risks in case of a tank leak. For this reason, regulations at a similar Union Carbide factory in Germany required tank sizes to be restricted to 100 gal. Also, the tank that exploded in the Indian plant was supposed to be refrigerated to 0 °C. Instead, the refrigeration unit was not working and the tank was at room temperature. Although the Indian factory had safety features to prevent disasters, several of the safety systems were not functioning. The explosion started when someone added water to a 600-gal tank of the chemical, perhaps an act of sabotage by a disgruntled employee. The temperature in the tank rose in a chain reaction, and the tank blew up. A fog of the gas drifted through the streets of Bhopal, killing people on the spots where they stood. Although Union Carbide responded quickly and compassionately to the disaster, the tragedy raised questions about their views on safety in developing countries.

All businesses make decisions based on a **cost-benefit analysis**: They research both the costs and the benefits of a particular decision, then determine whether the costs outweigh the benefits or vice versa. In Union Carbide's case, they determined that economic savings outweighed the economic costs of stricter safety protocols. In retrospect, it is clear that the company miscalculated and should have given greater weight to safety.

Cost-benefit analysis is the distinguishing feature of the moral theory of **utilitarianism**: An action is morally right if the consequences of that action are more favorable than unfavorable to everyone. When determining the morality of any given action, we should list all of the good and bad consequences that would result, determine which side is weightier, and judge the action to be

right if the good outweighs the bad. There are three components to this theory. First, it emphasizes *consequences*. One of the founders of utilitarianism was the British philosopher Jeremy Bentham (1748–1832), who argued that by focusing on consequences, we make our moral judgments more scientific (1789/1907). To ground morality in the will of God requires that we have a special ability to know God's thoughts. To ground morality in conscience or instinctive duties requires that we have special mental faculties and know how to use them properly. None of this is precise, and it all relies too much on hunches. According to Bentham, a more scientific approach to morality would look only at the facts that everyone can plainly see, and consequences of actions are those facts. If I steal a car, there are very clear consequences: I gain a vehicle, but I cause financial harm and distress to the victim and put myself at risk of a long stay in prison. We all can see these consequences and assess their weights. Bentham held that we can even give numerical values to the various consequences and mathematically calculate whether the good outweighs the bad, a practice that we now call the *utilitarian calculus*. Not all utilitarians go this far, but it does highlight the central role that publicly observed consequences play in the utilitarian conception of morality.



Associated Press/nmg

Jeremy Bentham (1748–1832), the British philosopher who developed the moral principle, which we now call the utilitarian calculus, that morality is determined by numerically tallying the degree of pleasure and pain that arises from our actions.

The second component of utilitarianism is that it focuses on the consequences of happiness and unhappiness. While businesses assess costs and benefits in terms of financial gains and losses, utilitarianism focuses instead on how our actions affect human happiness. Some utilitarians, like Bentham, emphasize pleasure and pain; others emphasize goodness and badness; and still others emphasize overall benefit and disbenefit. What they have in common, though, is that moral conduct is in some way linked with human happiness and immoral conduct with unhappiness.

The third component of utilitarianism is that we need to assess the beneficial consequences of actions as *everyone* is affected. If I am thinking about stealing a car, I need to consider the consequences of my conduct for myself, my family, the victim, the victim's family, and anyone else who might be affected by my action. This is reflected in utilitarianism's famous motto that we should seek the greatest good for the greatest number of people.

Because businesspeople are so familiar with financial cost-benefit analysis, utilitarianism is a natural way to make moral assessments with business decisions. Take the Bhopal catastrophe as an example. In retrospect, we can see that the company and its stockholders gained a certain amount of benefit through financial savings from lax safety regulations. However, at the same time, we can see that this was greatly outweighed by the disbenefit from the deaths and injuries. It also created disbenefits for the company itself in terms of bad public relations, lawsuits, and decreased stock value. At the time, of course, Union Carbide could not have known with certainty that its lax safety standards would have resulted in a disaster of such magnitude. However, an impartial risk assessment of its facility would have revealed that there were serious safety hazards, and that alone would have tipped the utilitarian scale.

1.5 Morality and Government

In this final section, we will examine some moral theories that pertain to governments and the laws that they create. From the start, it is important to look at the boundaries that separate morality and the law that governments create. What they have in common is that they both command us to behave in certain ways, and often their edicts are the same. It is immoral to steal, and it is also illegal. It is immoral to assault someone, and it is also illegal.

However, there are many instances where morality and legality do not overlap. Adultery, for example, is immoral, but in the United States it is not illegal in most states. So too with cheating on school exams. Similarly, there are some actions that are illegal but not immoral. Going 36 in a 35-mph zone is illegal but not necessarily immoral. Similarly, some instances of mercy killing may be morally justifiable, even though they are currently illegal.

Morality is an important source of inspiration for the law, but it is not the last word on the issue. In business ethics, it is often important to consider issues of morality and legality separately. Perhaps we will find some immoral actions in business which are not illegal but should be. Or we might find some morally permissible actions that are illegal, but should be made legal.

The three main issues that we will focus on are social-contract theory, human-rights theory, and theories of governmental coercion. The driving questions here are: What is the origin of governmental authority? What is the main purpose that governments serve? What are the limits to the laws that governments can create?

The Social Contract

Business by its very nature is dog-eat-dog, where one company tries to draw customers away from the competition, perhaps to the point of putting the competition out of business. Sometimes efforts to succeed can go too far and involve intentionally sabotaging the competition by stealing trade secrets, publishing misleading attack ads, or even vandalizing property. For example, an owner of a pizza restaurant in Philadelphia was charged with releasing mice into two competing pizzerias. The owner went into the bathroom of one competitor and placed a bag of mice in the drop ceiling. He then crossed the street, entered a second one, and placed another bag of mice into a garbage can. When caught and arrested, he claimed that he was just getting even for his competition doing the same thing to him (Kim, 2011).

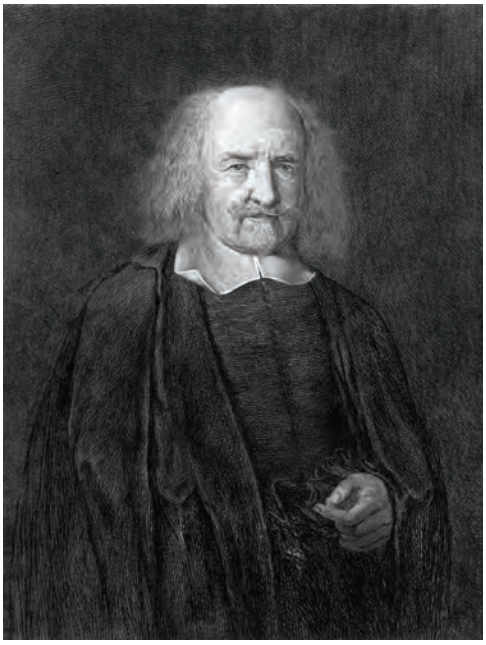
Even though business is inherently cutthroat, there are still requirements for civil behavior and limits on how far one can go in defeating the competition. Without those requirements, business competition would descend into gang warfare and ultimately destroy the economic playing field that is required for businesses to even exist.

This is precisely the rationale behind **social contract theory**: To preserve our individual lives, we agree to set aside our hostilities towards each other in exchange for the peace that a civilized society offers. The champion of this view is Thomas Hobbes, who, as we saw earlier, defended the theory of psychological egoism. Hobbes began by having us think about what the world would be like if there were no governments and laws to keep society peaceful. In his words, what would the *state of nature* be like, in which every person was seeking to survive in competition with everyone else, without the protection of the government? His answer was that it would be a condition of war between every person, and two factors make this so:

1. First, life's necessities are scarce, and it is a constant struggle for us to adequately supply our basic needs like food, clothing, and shelter.
2. Second, we are not by nature generous, and we will not be inclined to share what we have with others.

As a psychological egoist, Hobbes held that we will always be interested in our own personal interests and that we are not capable of acting towards others with true altruism. If we were capable of acting selflessly, then we would peacefully divide up the scarce resources that we all need. If I find an apple, and then see that you are hungry, I will naturally be inclined to split the apple with you. But, according to Hobbes, our natural inclination towards selfishness prevents us from doing this. The result, then, is that the state of nature is really a state of war, which he vividly describes here:

> In such condition there is no place for industry, because the fruit thereof is uncertain, and consequently, no culture of the earth, no navigation, nor use of the commodities that may be imported by sea, no commodious building, no instruments of moving and removing such things as require much force, no knowledge of the face of the earth, no account of time, no arts, no letters, no society, and which is worst of all, continual fear and danger of violent death, and the life of man, solitary, poor, nasty, brutish, and short. (Hobbes, 1651/1994)



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Thomas Hobbes (1588–1679), the English philosopher who developed the concept of the social contract, and famously stated that in the state of nature, "the life of man [is] solitary, poor, nasty, brutish, and short."

Within the state of nature, there is no point in my even trying to grow a garden, build a home, or furnish it: Someone would just come along and take it from me by force.

How, then, do we escape from the horrible conditions of the state of nature? The answer for Hobbes was the social contract, which has three steps:

1. First, I must recognize that seeking peace is the best way for me to preserve my life. I will always be selfish, and that will never change. However, I must see that I can better my own situation by seeking peace with my competition.
2. Second, I must negotiate a peace settlement with you: I will set aside my hostilities towards you if you set aside your hostilities towards me. If we mutually agree to be civil to each other, then we will both have the hope of living better lives.
3. Third, we must establish a governmental authority that will punish us if we break our agreement. Talk is cheap, and I can verbally agree to a peace treaty with you but then attack you when your guard is down. And you can do exactly the same thing to me. But if we create a policing power to watch over us, then I will be strongly motivated to hold to my agreement with you, and so will you.

In the business world, it is essentially a social-contract agreement that keeps us from sabotaging our competitors. Our natural selfish inclination might be to destroy our competition by any means necessary, but doing so would lead to a savage state of war where we would all be losers. The best business strategy, then, is a negotiated peace settlement where all businesses play by a set of rules. To keep us from cheating on those rules, there are governing bodies such as governments and professional business associations that can punish us when we break them. Business is still motivated by self-interest, but it is now constrained to be civil.

Human Rights

The U.S. Civil War was in many ways the result of a business-ethics dispute. The earliest Spanish settlers of North America brought African slaves with them to help cultivate the land and build towns, and slavery quickly became integral to business activities throughout the colonies. By the time of the American Revolution, slavery in the North had declined, partly because of a manufacturing economy where it cost more to own and maintain slaves than the slaves could economically produce. However, in the agricultural economy of the South, slave labor was still cost-effective. As the antislavery movement took hold, Southern slaveholders asked who would compensate them for their financial investment in their slaves if the slaves were to be freed. There were no clear answers to this question, and so the slaveholders saw abolitionism as a direct threat to their economic rights. They saw the North as posturing to steal their property and gut their capacity to compete in the agricultural marketplace.

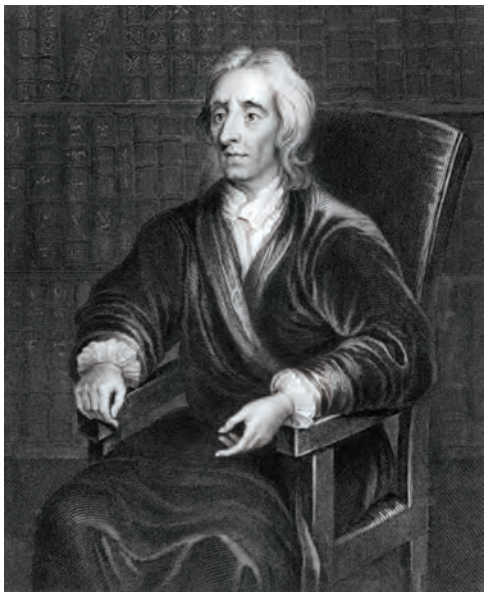
We now see slavery as one of the worst chapters in American history, regardless of the economic arguments of the slaveholders. And even today, we are horrified to hear of slavery-like conditions around the world, where laborers are sometimes kidnapped or otherwise coerced into working in sweatshops or on farms with grueling hours, horrible conditions, and meager pay. We see these as rights violations that can never be morally justified by any economic benefit to the business owner.

The central idea here is that of a **right**, which is a justified claim against another person's behavior. For example, I can rightfully claim that you cannot steal from me, torture me, enslave me, or kill me. I am making a claim about what you can and cannot do. When asserting our various rights, it is important to distinguish between two types:

- **Legal rights** are those created by governments. The government, for example, has established laws that grant me the right to drive when I reach a certain age, or carry certain types of weapons, or visit publicly owned parks.
- **Human rights**—also called *natural rights*—are not created by governments but are rights all people around the world have regardless of the country in which they live. The rights against slavery and torture are commonly listed among these.

There are three distinct features of human rights:

- They are *natural* in the sense that we are born with them. They are not given to us by the government or any other human institution, but are part of our identity by our merely being born as human beings.



John Locke (1632–1704), the English philosopher who developed the concept of natural rights and the right of citizens to overthrow governments that fail to protect their rights.

- They are *universal* in that all humans worldwide possess them. No matter who you are or where you live, you have human rights.
- They are *equal* in the sense that we all have the same list of fundamental human rights, and no one has more or fewer than another person.

The concept of human rights was first developed by the English philosopher John Locke (1632–1704), who argued that by nature everyone has the basic rights to life, health, liberty, and possessions. God gives us these when we are born, and we retain them throughout life, so long as we do not violate the rights of others. For Locke, the right to acquire possessions was the source of our economic freedom and the ability to conduct business transactions. Once I rightfully acquire possessions, I can keep them or sell them as I see fit. However, just as Hobbes warned, the world is a nasty place, and many out there will want to violate my rights and take what I have. According to Locke, we establish governments specifically for the purpose of protecting our fundamental rights: We subcontract to the government the job of keeping the peace. If the government adequately performs its task of protecting our rights, then we all benefit. If the government fails in that task, however, we have a right to overthrow the government and replace it with a better one that can more adequately do its job.

Thomas Jefferson, when penning the Declaration of Independence, latched onto this exact part of Locke's theory:

> We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness. That, to secure these rights, Governments are instituted among Men, deriving their just Powers from the consent of the governed. That, whenever any form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government.

Through Jefferson, the concept of human rights has become embedded into the American mindset, and it has inspired countries around the world to similarly acknowledge human rights.

But the concept of human rights took its modern form through a document called the Universal Declaration of Human Rights, which was adopted by the United Nations General Assembly in 1948. The Universal Declaration reiterates the same core set of human rights as Locke and Jefferson: "Everyone has the right to life, liberty and security of person" (1948, Article 3). However, the document continues by listing a range of very specific rights, such as these pertaining to businesses:

1. Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
2. Everyone, without any discrimination, has the right to equal pay for equal work.
3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
4. Everyone has the right to form and to join trade unions for the protection of his interests.

> Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay. (Universal Declaration of Human Rights, 1948, Articles 23–24)

Although not all of the human rights listed in the Universal Declaration have yet become a reality around the world, it is nevertheless the standard towards which all countries within the United Nations have pledged to work.

Principles of Governmental Coercion

To effectively compete in the marketplace, businesses are continually pushing the boundaries of tasteful advertising. Presenting shocking and even offensive images in advertisements will attract attention, and may generate sales. A quick online image search for "offensive advertisement" will reveal a range of troubling ads that are sexually explicit, demeaning to women or minority groups, or offensive to religious groups. A case in point is an advertisement by the Italian clothing company Benetton that contained an altered image of the Catholic pope romantically kissing a Muslim imam. In keeping with the company's theme of multiculturalism, a spokesperson said that "the meaning of this campaign is exclusively to combat the culture of hatred in all its forms" (Rocca, 2011). When the Vatican threatened to sue, Benetton removed the ad.

What Would You Do?

Say you are a midlevel supervisor at a sportswear company that specializes in athletic footwear. You have just found out that some of your manufacturing facilities in Bangladesh hire child workers as young as age 10. They work 14 hours a day, 7 days a week, and receive wages as low as 20 cents an hour. You know that this is a clear human-rights violation.

1. Would you discuss your moral concerns with your superiors in the company?
2. Suppose you did discuss your concerns with them and their response was essentially that this was standard practice in Asian countries, and what your company was doing was no different from what any other company does that has textile facilities in those countries. Also, if your company set higher standards, it would not be able to compete in the marketplace. Would this explanation satisfy you?
3. Suppose that the response of your superiors was that they acknowledged the problem and were working on it, but that it would take several years before this practice could be eliminated. Would this explanation satisfy you?
4. Suppose that your company stated in its advertising and packaging that no child labor was used in manufacturing its products. You knew, though, that this was not true. Would you bring this to the attention of a government agency?

While ads like Benetton's may be offensive to some people, they nevertheless may be perfectly legal. That raises the question of how bad an action needs to be before the government steps in and makes it illegal. All governments are coercive in the sense that they force us to conform to laws under threat of punishment. PepsiCo would not burn down Coca-Cola's company headquarters, even if it wanted to, because of how the government would punish it. But governments cannot randomly single out some actions as criminal and allow others to be legal. There are reasons why some actions are prohibited and others are not. There are four common justifications of governmental coercion: the harm principle, the offense principle, the principle of legal paternalism, and the principle of legal moralism.

The first is the **harm principle**: Governments may restrict our conduct when it harms other people. Burning down Coca-Cola's headquarters could injure and kill many people, and would undoubtedly cause financial harm to the company. However, for the government to step in and outlaw harmful actions, the injury must be serious, not trivial. For example, almost all fast-food products are harmful in comparison to organic food alternatives. However, serving unhealthy food is far less serious than serving food tainted with salmonella, which causes severe illness and even death. Thus, the government cannot reasonably outlaw fast food, whereas it justifiably can do so with salmonella-tainted food.

Second is the **offense principle**: Governments may keep us from offending others. We cannot walk naked through the streets, be publicly intoxicated, or shout obscenities in playgrounds. As with the harm principle, the offense principle also looks at the degree to which a particular action is objectionable: Is it outrageously offensive or merely a nuisance? Benetton's ad touches on this very issue. It was certainly offensive to specific groups of Catholics and Muslims, but whether it was deeply offensive to society at large is another matter. Again, Benetton's ad was perfectly legal, which means that in our present cultural climate, it was not offensive enough to be illegal.

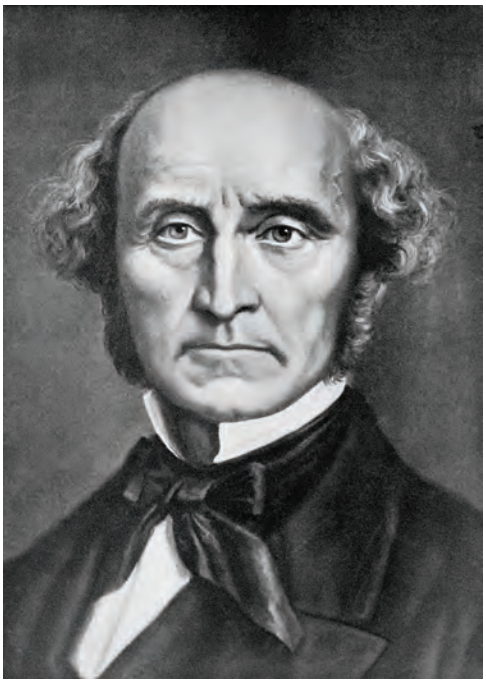
Third is the principle of **legal paternalism**, which is a sister concept to the harm principle. While the harm principle focuses on the harm our actions cause to other people, legal paternalism looks at the harm that we cause ourselves through our actions and maintains that the government can restrict such conduct. I can hurt myself by participating in a dangerous sport such as cliff diving or by working in a dangerous occupation such as tree trimming. When the government mandates that I wear a seat belt when driving, the concern is principally with protecting me from my own careless conduct. The term *paternalism* comes from that Latin word for *father*, which implies that the government is overseeing my conduct in the way that parents try to protect their children. But does the government have any business in doing this? Yet again, the question is one of degree. With our stupidest and most dangerous actions, we may want the government to protect us from ourselves. However, with an action that does not cause serious harm to me, I may want the government to just leave me alone.

Finally, there is **legal moralism**: Governments may restrict conduct that is especially sinful or immoral. Prime examples of this are laws against blasphemy and some sex acts, such as sodomy. The question here is not whether a type of conduct is harmful to others, publicly offensive, or harmful to oneself. It is a matter of whether an act, even when done privately, crosses some moral boundary that justifies the government's stepping in. Of all the principles of governmental coercion, legal moralism is probably the weakest. One reason is that many moral and religious standards vary widely, and by outlawing an action solely on moral or religious grounds, the government may be unfairly adopting the standards of one cultural group and applying them to everyone.

Although legal moralism may be the weakest of the four principles, some of the others may also be seriously questionable. The British philosopher John Stuart Mill argued that, in fact, only one principle of governmental coercion is justifiable, namely the harm principle. The government has no right to restrict our conduct on the other three grounds. In Mill's words:

> The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant (1859/1999).

The reason, according to Mill, is that a wide sphere of personal liberty is essential for a happy society, and that includes the possibility of offending others, harming ourselves, or crossing some traditional moral boundary. Do we want to decide for ourselves what makes us happy, or do we want the government to do so? From Mill's perspective, I am a better judge of my own happiness than the government ever could be, and society on the whole will be a happier place when we are each allowed that freedom.



John Stuart Mill (1806–1873), a British philosopher who defended personal liberty and argued that government should restrict our conduct only when we harm others, not when we merely offend others, harm ourselves, or behave immorally.

All of these principles of governmental coercion apply to businesses just as they do to individual people. Again, with Benetton, although their ad was offensive to some groups, the offense was not serious or widespread enough to justify its being illegal. But with many ad campaigns, merely being legal may not be good enough. Public opinion can be as coercive as any government-imposed restriction. If Microsoft, PepsiCo, or any other *Fortune* 500 company published an ad with the pope kissing a Muslim, the backlash would likely be financially crippling. Catholics and Muslims worldwide might boycott their products. Benetton is a much smaller company, with a specialized market niche and a history of using shocking ads to get consumers' attention. Not so with Microsoft and PepsiCo, which have much broader customer bases worldwide. With them, consumer coercion is as powerful as governmental coercion.

1.6 Conclusion

In this chapter we have looked at a wide spectrum of classic moral theories and showed how they apply to an equally broad spectrum of business ethics issues. These are moral theories that, 1,000 years from now, will be just as important as they are today; in a sense, they define the moral thought process for humans. The philosophers who proposed these various theories were not always in agreement with each other; in fact, they rejected many rival moral theories. Bentham believed that all moral and social issues should be decided solely using the utilitarian principle, not through theories about religion, virtue, duty, social contracts, or human rights.

Similarly, Kant believed that the categorical imperative was the single moral litmus test. But exclusive claims like these are much like efforts at brand loyalty in the business world. Walmart would like us to shop at only their stores. Coca-Cola would like us to drink only their beverages. Exxon would like us to buy only their gas. But in the real world, our purchasing habits are more diverse and we are drawn to a range of different stores and products.

So too with moral theories: In the real world, when we reflect on moral issues, some theories will be more relevant or illuminating than others. Bentham's utilitarianism may be helpful with some types of moral evaluations, but not with others. The same is true for the other theories that we have examined. We are trapped in a morally complex world that demands that we make moral choices. One way or another we will do that, and drawing on all of the various moral theories can help make the job easier.

In the following chapters of this book, all of the issues covered can be analyzed using these classic moral theories. As authors, though, we have not forced that approach. Issues such as price fixing, corporate punishment, consumer advocacy, insider trading, and others are challenging enough in their own right, without the added intricacies of a utilitarian or duty-theory analysis. Nevertheless, classic moral theories are always lurking in the background of most of these discussions. Does a particular government regulation serve the greatest good for the greatest number of people? Do affirmative action policies violate the rights of majority groups? Do we have special moral duties to protect the environment? A full evaluation of business-ethics issues may greatly benefit from the contributions of classic moral theories.

Summary

We began this chapter looking at theories of where morality comes from and the debate between moral objectivism and moral relativism. Moral objectivists claim that moral standards are not created by human beings, are unchanging, and are universal. Moral relativists hold the opposite view, that moral standards are created by human beings, change from society to society, and are not universal. Also relevant to the question of where morality comes from is the connection between religion and ethics. Divine command theory is the position that moral standards are created by God's will, but we saw some challenges to this view. Religious ethical theories also commonly hold that religious believers have a special moral ability; we looked at challenges to this view as well.

We next looked at ways in which our human psychological makeup might affect how we view morality. One issue concerns our ability to act selflessly. Psychological egoists hold that human conduct is selfishly motivated and we cannot perform actions from any other motive. By contrast, psychological altruists hold that people are at least occasionally capable of acting selflessly. Also of relevance is how gender shapes men's and women's conceptions of morality. Care ethics is the theory that women see morality as the need to care for people who are in situations of vulnerability and dependency.

One of the central concerns of ethical theory is to present and explain the moral standards that guide our behavior. One such approach is virtue theory, which is the view that morality is grounded in the virtuous character traits that people acquire. According to Aristotle, virtues are good mental habits that regulate our urges and stand at a mean between vices of deficiency and vices of excess. Another approach is duty theory, which holds that moral standards are grounded in instinctive

obligations. Some duty theories propose a list of obligations, such as the Ten Commandments, and others propose a single principle, such as the Golden Rule. Kant offered a single principle that he called the categorical imperative, which states that we should treat people as an end and never as a means to an end. A third approach is the theory of utilitarianism, which holds that an action is morally right if the consequences of that action are more favorable than unfavorable to everyone. Bentham developed the idea of the utilitarian calculus, whereby numerical values could be assigned to the positive and negative consequences of actions.

The final component of this chapter explored the relationship between morality and government. One major theory on this is social contract theory. Hobbes described a warring state of nature generated by human selfishness and scarcity of necessities. The solution is the social contract, which holds that, to preserve our individual lives, we agree to set aside our hostilities towards each other in exchange for the peace that a civilized society offers. A second important theory on the relationship between morality and government is the concept of human rights. These are rights that are not created by government, but are held equally by all people around the world regardless of the country in which they live. The theory was developed by Locke, who held that by nature, everyone has the basic rights to life, health, liberty, and possessions. People establish governments for the purpose of protecting those fundamental rights, and governments can be overthrown when they fail to perform that task. A third theory on the relation between morality and government involves four principles of governmental coercion. They are the harm principle, whereby governments may restrict our conduct when it harms other people; the offense principle, which restricts our behavior that offends others; legal paternalism, which restricts an individual's actions that harm him- or herself; and legal moralism, which restricts especially sinful or immoral conduct. Mill argued that only the harm principle is justified, and the other three are not.

Discussion Questions

1. There are several theories about where moral values come from, including moral objectivism, moral relativism, and divine-command theory. Which if any of these theories works best when understanding the moral obligations of businesses?
2. Assume that the theory of psychological egoism is true, that all human actions are selfishly motivated. Is there a way that the decision-making process within a large corporation can overcome this fact of human selfishness? Could the corporation, for example, establish a charity program that was designed only to benefit the needy, with no public relations benefit to the company at all?
3. According to virtue theory, to be morally good people we should develop virtuous habits like courage, temperance, wisdom, and justice. Can there be such a thing as a "virtuous corporation"? If so, what are the virtuous habits that it would need to have?
4. According to duty theory, there are fundamental principles of moral obligation that we all know instinctively, such as do not kill or steal. Are there any fundamental principles of business ethics that everyone in business automatically knows they should follow?
5. According to Kant's theory of the categorical imperative, we should treat people as an end, and never merely as a means to an end. Think of an example in business that violates this principle and explain how it does that.
6. Consider the issue of child labor mentioned in the "What Would You Do?" box. Use a utilitarian analysis to determine whether use of such labor would be morally permissible for your company.

7. The Universal Declaration of Human Rights lists several rights that pertain to businesses (see that list in the chapter). Would you agree that all of those are genuine human rights? Explain.
8. There are four principles of governmental coercion that explain why the government is justified in restricting our actions. It is clear how the harm principle applies directly to businesses: Businesses should not engage in conduct that causes serious harm to others, such as by manufacturing unsafe products, dumping toxic waste, or having unsafe working conditions for employees. Explain how the other three principles of governmental coercion might apply to business conduct.

Key Terms

care ethics The theory that women see morality as the need to care for people who are in situations of vulnerability and dependency.

categorical imperative The moral principle proposed by Immanuel Kant that we should treat people as an end, and never merely as a means to an end.

cost benefit analysis The economic modeling of a project to check whether the benefits outweigh the costs.

divine-command theory The view that moral standards are created by God's will.

duty theory The view that moral standards are grounded in instinctive obligations, that is, duties.

ethics An organized analysis of values relating to human conduct, with respect to their rightness and wrongness.

Foreign Corrupt Practices Act A U.S. Federal law regulating the operation of U.S. companies in foreign countries, which includes an anti-bribery provision.

harm principle The view that governments may restrict our conduct when it harms other people.

human rights Rights that are not created by government, but held by all people around the world regardless of the country in which they live.

legal moralism The view that governments may restrict conduct that is especially sinful or immoral.

legal paternalism The view that governments can restrict the conduct of an individual who harms him- or herself.

legal rights Rights that are created by governments.

moral objectivism The theory that moral standards are not created by human beings, are unchanging, and are universal.

moral relativism The theory that moral standards are created by human beings, change from society to society, and are not universal.

offense principle The view that governments may keep us from offending others.

psychological altruism The theory that human beings are at least occasionally capable of acting selflessly.

psychological egoism The theory that human conduct is selfishly motivated and we cannot perform actions from any other motive.

right A justified claim against another person's behavior.

social-contract theory The moral and political theory that, to preserve our individual lives, we agree to set aside our hostilities towards each other in exchange for the peace that a civilized society offers.

utilitarianism The theory that an action is morally right if the consequences of that action are more favorable than unfavorable to everyone.

virtue theory The view that morality is grounded in the virtuous character traits that people acquire.

virtues Good habits of character that result in morally proper behavior.