

Business Ethics Concepts & Cases

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Chapter Two

Ethical Principles in Business

Utilitarianism

- Actions and policies should be evaluated on the basis of the benefits and costs they will impose on society.
- The only morally right action in any situation is that whose utility is greatest by comparison to the utility of all the other alternatives .
- Leading utilitarian theorists:
 - Jeremy Bentham
 - John Stuart Mill

How to Apply Utilitarian Principles

- First, determine what alternative actions or policies are available to me in that situation.
- Second, for each alternative action, estimate the direct and indirect benefits and costs that the action will probably produce for all persons affected.
- Third, for each action, subtract the costs from the benefits to determine the net utility of each action.
- Fourth, the action that produces the greatest sum total of utility must be chosen as the ethically appropriate course of action.

Criticisms of Utilitarianism

- Critics say not all values can be measured.
 - Utilitarians respond that monetary or other commonsense measures can measure everything.
- Critics say utilitarianism fails with rights and justice.
 - Utilitarians respond that rule-utilitarianism can deal with rights and justice.

The Concept of a Right

- Right = an individual's entitlement to something.
 - Legal right = An entitlement that derives from a legal system that permits or empowers a person to act in a specified way or that requires others to act in certain ways toward that person.
 - Moral (or human) rights = rights that all human beings everywhere possess to an equal extent simply by virtue of being human beings.
- Legal rights confer entitlements only where the particular legal system is in force.
- Moral rights confer entitlements to all persons regardless of their legal system.

Moral Rights

- Can be violated even when “no one is hurt”.
- Are correlated with duties others have toward the person with the right.
- Provide individuals with autonomy and equality in the free pursuit of their interests.
- Provide a basis for justifying one’s actions and for invoking the protection or aid of others.
- Focus on securing the interests of the individual unlike utilitarian standards which focus on securing the aggregate utility of everyone in society.

Three Kinds of Moral Rights

- Negative rights require others leave us alone.
- Positive rights require others help us.
- Contractual or special rights require others keep their agreements.

Contractual Rights and Duties

- Created by specific agreements and conferred only on the parties involved.
- Require publicly accepted rules on what constitutes agreements and what obligations agreements impose.
- Underlie the special rights and duties imposed by accepting a position or role in an institution or organization.
- Require (1) the parties know what they are agreeing to, (2) no misrepresentation, (3) no duress or coercion, (4) no agreement to an immoral act.

Kant and Moral Rights

- Individuals generally must be left equally free to pursue their interests.
- Moral rights identify the specific interests individuals should be entitled to freely pursue.
- An interest is important enough to raise to be a right if:
 - we would not be willing to have everyone deprived of the freedom to pursue that interest
 - the freedom to pursue that interest is needed to live as free and rational beings.

Kant's Categorical Imperative (First Version)

- We must act only on reasons we would be willing to have anyone in a similar situation act on.
- Requires universalizability and reversibility.
- Similar to questions:
 - “What if everyone did that?”
 - “How would you like it if someone did that to you?”

Kant's Categorical Imperative (Second Version)

- Never use people only as a means to your ends, but always treat them as they freely and rationally consent to be treated and help them pursue their freely and rationally chosen ends.
- Based on the idea that humans have a dignity that makes them different from mere objects.
- It is, according to Kant, equivalent to the first formulation.

Criticisms of Kant

- Both versions of the categorical imperative are unclear.
- Rights can conflict and Kant's theory cannot resolve such conflicts.
- Kant's theory implies moral judgments that are mistaken.

Libertarian Philosophy

- Freedom from human constraint is necessarily good and that all constraints imposed by others are necessarily evil except when needed to prevent the imposition of greater human constraints.
- Robert Nozick's Libertarian Philosophy:
 - the only moral right is the negative right to freedom
 - the right to freedom requires private property, freedom of contract, free markets, and the elimination of taxes to pay for social welfare programs

Types of Justice

- **Distributive Justice**
 - requires the just distribution of benefits and burdens.
- **Retributive Justice**
 - requires the just imposition of punishments and penalties.
- **Compensatory Justice**
 - requires just compensation for wrongs or injuries.

Principles of Distributive Justice

- **Fundamental**
 - distribute benefits and burdens equally to equals and unequally to unequals
- **Egalitarian**
 - distribute equally to everyone
- **Capitalist**
 - distribute according to contribution
- **Socialist**
 - distribute according to need and ability
- **Libertarian**
 - distribute by free choices
- **Rawls**
 - distribute by equal liberty, equal opportunity, and needs of disadvantaged.

Retributive and Compensatory Justice

- Retributive Justice = fairness when blaming or punishing persons for doing wrong.
- Compensatory Justice = fairness when restoring to a person what the person lost when he or she was wronged by someone else.

Ethic of Care

- Ethics need not be impartial.
- Emphasizes preserving and nurturing concrete valuable relationships.
- We should care for those dependent on and related to us.
- Because the self requires caring relationships with others, those relationships are valuable and should be nurtured.

Objections to Care Approach in Ethics

- An ethic of care can degenerate into favoritism.
 - Response: conflicting moral demands are an inherent characteristic of moral choices
- An ethic of care can lead to “burnout”.
 - Response: adequate understanding of ethic of care will acknowledge the need of the caregiver to care for him or herself.

Theories of Moral Virtue

- Aristotle
 - virtues are habits that enable a person to live according to reason by habitually choosing the mean between extremes in actions and emotions
- Aquinas
 - virtues are habits that enable a person to live reasonably in this world and be united with God in the next
- MacIntyre
 - virtues are dispositions that enable a person to achieve the good at which human “practices” aim
- Pincoffs
 - virtues are dispositions we use when choosing between persons or potential future selves

Objections to Virtue Theories

- It is inconsistent with psychology which showed that behavior is determined by the external situation, not moral character.
 - Response: moral character determines behavior in a person's familiar environment.
 - Response: recent psychology shows behavior is determined by one's moral identity which includes one's virtues and vices.

Unconscious vs. Conscious Moral Decisions

- Unconscious Moral Decisions
 - Comprise most of our moral decisions.
 - Made by the brain's "X-system" using stored prototypes to automatically and unconsciously identify what it perceives and what it should do.
- Conscious Moral Decisions
 - Is used in new, strange, or unusual situations for which the brain has no matching prototypes.
 - Consists of the conscious, logical but slow processes of the brain's "C-system".
 - Evaluates reasonableness of our intuitions, cultural beliefs, and the norms stored in our prototypes.